

Sec. 5. Minnesota Statutes 1974, Section 642.01, is amended to read:

642.01 LOCKUPS, ESTABLISHMENT. The governing body of any city may purchase, build, or lease, maintain and regulate, one or more lockups for the detention of persons charged with offenses against its ordinances and bylaws, or for the confinement of persons sentenced to imprisonment for violation of ~~such these~~ ordinances and bylaws; ~~and,~~ ~~Under regulations prescribed by such the~~ governing body, ~~it the~~ lockup may be used for temporary detention of any prisoner under arrest. No ~~such~~ purchase or lease, and no plans for building ~~any such a~~ lockup; ~~or no such~~ plans for repairing ~~any such a~~ lockup at an expense of more than ~~\$1000 \$5,000~~ shall be finally adopted until the same ~~shall have~~ ~~has~~ been approved by the commissioner of corrections; ~~and,~~ No contract for ~~such~~ erection or repair shall be valid unless the suggestions and advice of the commissioner ~~shall~~ have been filed with the clerk of ~~such the~~ municipality before its execution.

Sec. 6. Minnesota Statutes 1974, Section 642.02, Subdivision 1, is amended to read:

642.02 CONSTRUCTION, REPAIR; PRESENCE OF JAILER. Subdivision 1. **APPROVAL, STANDARDS REQUIRED.** The commissioner of corrections shall not approve any plan for the construction of a lockup, or repairs to an existing lockup at an estimated cost of more than ~~\$1000 \$5,000~~, unless ~~such the~~ plan meets the standards established by ~~rule and regulation the~~ commissioner's rules.

Sec. 7. This act is effective on July 1, 1976.

Approved April 13, 1976.

CHAPTER 300—S.F.No.556

An act relating to financial institutions and mortgagees; modifying the maximum interest rate that may be charged on certain loans; requiring interest to be paid on certain escrow accounts; providing penalties; amending Minnesota Statutes 1974, Sections 47.20; and 47.21.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **FINANCIAL INSTITUTIONS; HOME LOANS; INTEREST RATE; CONVENTIONAL HOME LOAN ASSISTANCE AND PROTECTION ACT; CITATION.** Sections 1 to 4 may be cited as the Conventional Home Loan Assistance and Protection Act.

Sec. 2. Minnesota Statutes 1974, Section 47.20, is amended to read:

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47.20 USE OF FEDERAL ACTS; DEFINITIONS; INTEREST RATES; REQUIRED PROVISIONS; INTEREST ON ESCROW ACCOUNTS. Subdivision 1. Pursuant to such regulations as the commissioner of banks finds to be necessary and proper, if any, banks, savings banks, mutual savings banks, building and loan associations, and savings and loan associations organized under the laws of this state or the United States, trust companies, trust companies acting as fiduciaries, and other banking institutions subject to the supervision of the commissioner of banks, and mortgagees or lenders approved or certified by the secretary of housing and urban development or approved or certified by the administrator of veterans affairs, are authorized:

(1) To make such loans and advances of credit and purchases of obligations representing loans and advances of credit as are insured by the secretary of housing and urban development pursuant to the national housing act, as amended, or the administrator of veterans affairs pursuant to the servicemen's readjustment act of 1944, as amended, and to obtain such insurance;

(2) To make such loans secured by mortgages on real property which the secretary of housing and urban development or the administrator of veterans affairs has insured or made a commitment to insure, and to obtain such insurance.

Subd. 2. For the purposes of section 47.20 the terms defined in this subdivision have the meanings given them:

(1) "Actual closing costs" mean reasonable charges for or sums paid for the following, whether or not retained by the mortgagee or lender:

(a) Any insurance premiums including but not limited to premiums for title insurance, fire and extended coverage insurance, flood insurance, and private mortgage insurance.

(b) Abstracting, title examination and search, and examination of public records.

(c) The preparation and recording of any or all documents required by law or custom for closing a conventional loan.

(d) Appraisal and survey of real property securing a conventional loan.

(e) A single service charge, which shall include any consideration, not otherwise specified herein as an "actual closing cost" paid by the borrower and received and retained by the lender for or related to the acquisition, making, refinancing or modification of a conventional loan, and shall also include any consideration received by the lender for making a commitment for a conventional loan, whether or not an actual loan follows such commitment. The service charge shall not ex-

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ceed one percent of the original bona fide principal amount of the conventional loan, except that in the case of a construction loan, the service charge shall not exceed two percent of the original bona fide principal amount of the loan.

(f) Charges and fees necessary for or related to the transfer of real property securing a conventional loan or the closing of a conventional loan paid by the borrower and received by any party other than the lender.

(2) "Conventional loan" means a loan or advance of credit to a noncorporate borrower in an original principal amount of less than \$100,000 which is not insured by the secretary of housing and urban development or guaranteed by the administrator of veterans affairs.

(3) "Finance charge" means the total cost of a conventional loan including extensions or grant of credit regardless of the characterization of the same and includes interest, finders fees, and other charges levied by a lender directly or indirectly against the person obtaining the conventional loan or against a seller of real property securing a conventional loan, or any other party to the transaction except any actual closing costs. The finance charges plus the actual closing costs charged by a lender shall include all charges made by a lender to the person obtaining the conventional loan other than the principal of the conventional loan.

(4) "Loan yield" means the annual rate of return obtained by a lender over the term of a conventional loan and shall be computed as the annual percentage rate as computed in accordance with sections 226.5 (b), (c) and (d) of Regulation Z, 12 C.F.R. section 226, but using the definition of finance charge provided for in this subdivision. The finance charge shall be amortized over the contract term of the conventional loan.

(5) "Monthly index of long term United States government bond yields" means the monthly unweighted average of the daily unweighted average of the closing bid yield quotations in the over the counter market for all outstanding United States treasury bond issues, based on available statistics, which are either maturing or callable in ten years or more. This index is expressed in terms of percentage interest per annum.

Subd. 3. Pursuant to such regulations as the commissioner of banks finds to be necessary and proper, if any, banks, savings banks, mutual savings banks, building and loan associations, and savings and loan associations organized under the laws of this state or the United States, trust companies, trust companies acting as fiduciaries, and other banking institutions subject to the supervision of the commissioner of banks, and mortgagees or lenders approved or certified by the federal national mortgage association or the federal home loan mortgage corporation are authorized to make such conventional loans

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and purchases of obligations representing conventional loans as would be eligible for purchase by the federal national mortgage association or the federal home loan mortgage corporation as authorized by and defined by the Emergency Home Finance Act of 1970, as amended, but without regard to any limitations placed upon the maximum principal amount of an eligible conventional loan by said act.

Subd. 4. No conventional loan authorized in subdivision 3 of this section shall be at a rate of interest in excess of a maximum lawful interest rate which shall be based upon the monthly index of long term United States government bond yields as compiled by the board of governors of the Federal Reserve System and as published by said board of governors in the monthly Federal Reserve Bulletin. The maximum lawful interest rate shall be computed as follows:

(1) The maximum lawful rate of interest for a conventional loan authorized in subdivision 3 of this section entered into or contracted for during any calendar month shall be equal to the monthly index of long term United States government bond yields for the second preceding calendar month plus an additional two percent per annum rounded off to the nearest quarter of one percent per annum or rounded off to the highest quarter of one percent per annum if equidistant.

(2) On or before the 20th day of each month the commissioner of banking shall determine, based on available statistics, the monthly index of long term United States government bond yields for the preceding calendar month and shall determine the maximum lawful rate of interest for conventional loans for the next succeeding month, as defined in clause (1) of this subdivision and shall cause such maximum lawful rate of interest to be published in the Bulletin of the Banking Division; such maximum lawful rate of interest to be effective on the first day of the next succeeding month.

(3) The loan yield obtained from a conventional loan authorized in subdivision 3 of this section shall not exceed the maximum lawful rate of interest established in clause (1) of this subdivision.

(4) A contract rate within the maximum lawful interest rate applicable to a conventional loan authorized in subdivision 3 of this section at the time of the loan closing shall be the maximum lawful interest rate for the term of the conventional loan; except that a commitment for a conventional loan authorized in subdivision 3 of this section which provides for consummation within some future time following the issuance of such commitment may be consummated pursuant to the provisions, including the interest rate, of such commitment notwithstanding the fact that the maximum lawful rate of interest at the time such conventional loan is actually entered into is less than the commitment rate of interest, provided the commitment rate of interest does not exceed the maximum lawful interest rate in effect on the date such commitment was issued and provided that such commitment when issued and agreed to by the borrower shall constitute a legally

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binding obligation on the part of the mortgagee or lender to make a conventional loan authorized in subdivision 3 of this section within a specified time period in the future at a rate of interest not exceeding the maximum lawful rate of interest effective as of the date of commitment offer. The refinancing of an existing conventional loan authorized in subdivision 3 of this section shall be deemed to be a new conventional loan for purposes of determining the maximum lawful rate of interest under this subdivision.

(5) This subdivision expires July 31, 1977. A contract or commitment for a conventional loan made pursuant to this subdivision made on or before July 31, 1977 at a rate of interest not in excess of the rate of interest authorized by this subdivision at the time the contract or commitment for such loan was made shall continue to be enforceable in accordance with its terms until the indebtedness is fully satisfied.

Subd. 5. No loan or advance of credit authorized in subdivisions 1 or 3 of this section and contracted for on or after the effective date of this subdivision, shall contain a provision requiring or permitting the imposition of a penalty in the event the loan or advance of credit is prepaid.

Subd. 6. No loan or advance of credit authorized in subdivisions 1 or 3 of this section and contracted for on or after the effective date of this subdivision, shall contain a provision requiring or permitting the imposition of a fee or penalty in excess of one-tenth of one percent of the remaining unpaid principal balance in the event the loan or advance of credit and the obligation incurred thereby is assumed by another person.

Subd. 7. (1) No conventional loan authorized in subdivision 3 of this section and contracted for on or after the effective date of this subdivision shall contain a provision requiring or permitting the imposition, directly or indirectly, of any discount points, whether or not actually denominated as discount points, on any person.

(2) Discount points shall be deemed not to include a fee paid to a lender by a person in the business of residential building or development in connection with a commitment by such lender to make conventional loans to credit worthy purchasers of real property which has not previously been occupied as a residence.

(3) No charges, fees, or sums permitted by this act which are paid to and received by a lender may be increased for purposes of evading compliance with this subdivision.

Subd. 8. (1) For purposes of this subdivision the term "mortgagee" shall mean all state banks and trust companies, national banking associations, state and federally chartered savings and loan associations, mortgage banks, mutual savings banks, insurance companies, credit unions or assignees of the above. Each mortgagee requiring

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funds of a mortgagor to be paid into an escrow, agency or similar account for the payment of taxes or insurance premiums with respect to a mortgaged one to four family, owner occupied residence located in this state, unless such account is required by federal law or regulation or maintained in connection with loans insured by the secretary of housing and urban development or guaranteed by the administrator of veterans affairs, shall calculate interest on such funds at a rate of not less than three percent per annum. Such interest shall be computed on the average monthly balance in such account of the first of each month for the immediately preceding 12 months of the calendar year or such other fiscal year as may be uniformly adopted by the mortgagee for such purposes and shall be annually credited to the remaining principal balance on the mortgage, or at the election of the mortgagee, paid to the mortgagor or credited to his account. If the interest exceeds the remaining balance, the excess shall be paid to the mortgagor or vendee. The requirement to pay interest shall apply to such accounts created prior to the effective date of this subdivision as well as to accounts created after this subdivision is effective.

(2) The commerce commission shall have the power to prescribe, at the end of each calendar year, a rate of interest higher than that set by this subdivision. The rate so prescribed shall apply to the calendar year during which such rate is prescribed or to such other fiscal year beginning within such calendar year uniformly adopted by the mortgagee for such purposes. In prescribing any rate the commission shall consider pertinent economic and cost factors including, but not limited to: (1) current yields on short term investments, (2) current dividend rates paid on regular savings accounts throughout this state, (3) currently prevailing interest rates on conventional and insured or guaranteed mortgage loans in this state, (4) cost factors in maintaining accounts described in clause (1) of this subdivision and (5) such other pertinent economic or cost factors that the commerce commission shall deem to be appropriate.

(3) If at any time the use of such account is offered as an option to the mortgagor and the mortgagor continues or elects to use such account, interest need not be credited or paid.

(4) A mortgagee shall be prohibited from charging a direct fee for the administration of the escrow account.

(5) A mortgagee shall make timely payments of tax and insurance bills provided that funds paid into such account by the mortgagor are sufficient for such payment. If there is a shortage of funds the mortgagee shall promptly notify the mortgagor of such shortage. Failure to make the payment required by this clause shall subject the mortgagee to liability for all damages caused by such failure except that this sentence shall not deprive the mortgagee of the right to present any legal defenses in any subsequent proceeding. The mortgagee is permitted to make any payment on behalf of the mortgagor even though there are not sufficient funds in a particular account to cover the payment.

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(6) Any mortgagee intentionally violating the provisions of this subdivision shall be fined not more than \$100 for each offense.

Subd. 9. Notwithstanding any other law, the provisions of this act may not be waived by any oral or written agreement executed by any person.

Sec. 3. Minnesota Statutes 1974, Section 47.21, is amended to read:

47.21 LAWS PRESCRIBING TYPE OF SECURITY NOT TO APPLY. No other law in this state prescribing the nature, amount or form of security or requiring security upon which loans or advances of credit may be made, or prescribing or limiting interest rates upon loans or advances of credit, or prescribing or limiting the period for which loans or advances of credit may be made, shall be deemed to apply to loans, advances of credit or purchases made pursuant to section 47.20, ~~paragraphs (1) and (2)~~ subdivisions 1, 3 and 4 .

(1) Such institutions may invest in notes or bonds secured by mortgage or trust deed insured pursuant to section 47.20, ~~paragraph-subdivision 1, clause~~ (2), and in securities issued by national mortgage associations;

(2) The notes, bonds and other securities herein made eligible for investment may be used wherever, by statute, collateral is required as security for the deposit of public or other funds; or deposits are required to be made with any public official or department; or an investment of capital or surplus, or a reserve or other fund, is required to be maintained consisting of designated securities.

Sec. 4. Section 2, subdivision 8, is effective on June 1, 1976. The remainder of sections 1 to 3 is effective on April 1, 1976.

Approved April 13, 1976.

CHAPTER 301—S.F.No.840

An act relating to the department of human rights; creating a private right of action to enforce the provisions of the human rights act in certain cases; changing certain other enforcement procedures; amending Minnesota Statutes 1974, Sections 363.06, Subdivisions 1 and 4; 363.071; and 363.14, Subdivision 1; repealing Minnesota Statutes 1974, Section 363.06, Subdivision 7.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1974, Section 363.06, Subdivision 1, is amended to read:

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