

subdivision 5a. Exceptions to this classification are the names and addresses of scholarship: ~~grant-in-aid and loan~~ program recipients or participants .

Sec. 6. Minnesota Statutes 1978, Section 136A.171, is amended to read:

136A.171 **REVENUE BONDS; ISSUANCE; PROCEEDS.** The higher education coordinating board is hereby authorized to issue revenue bonds for the purpose of obtaining funds for loans made in accordance with the provisions of this chapter. The aggregate amount of revenue bonds, issued directly by the board, outstanding at any one time, not including ~~refunding~~ refunded bonds or otherwise defeased or discharged bonds , shall not exceed ~~\$125,000,000~~ \$200,000,000 . Proceeds from the issuance of bonds may be held and invested by the board pending disbursement in the form of loans. All interest and profits from such investments shall inure to the benefit of the board and shall be available to the board for the same purposes as the proceeds from the sale of revenue bonds including but not limited to costs incurred in administering loans under this chapter and loan reserve funds.

Sec. 7. Minnesota Statutes 1978, Section 136A.236, Subdivision 2, is amended to read:

Subd. 2. Effective July 1, ~~1978~~ 1979 , any Minnesota resident ~~who is under 21 years of age~~, who attends a public post-secondary vocational-technical school, and who is not receiving a state scholarship or grant-in-aid for the current year of attendance, shall be eligible to apply for a tuition subsidy pursuant to this section.

Sec. 8. The sum of \$3,668,000 is appropriated from the general fund to the higher education coordinating board for the purpose of implementing program changes made by sections 1 to 4. The sum of \$475,000 is appropriated from the general fund to the private college contract program for the purpose of funding changes resulting from sections 3 and 4. The sums shall be available until June 30, 1981.

Sec. 9. This act is effective the day following final enactment.

Approved May 29, 1979.

CHAPTER 239—S.F.No.436

An act relating to financial institutions; permitting graduated payment home mortgages; amending Minnesota Statutes 1978, Chapters 47, by adding a section; and 52, by adding a section.

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

Section 1. Minnesota Statutes 1978, Chapter 47, is amended by adding a section to read:

Changes or additions indicated by underline deletions by ~~strikeout~~

[47.201] VARIABLE MORTGAGES. Subdivision 1. DEFINITIONS. For the purposes of this section, the terms defined in this subdivision shall have the meanings given them:

(1) "Financial institution" means a state bank or trust company, a national banking association, a state or federally chartered savings and loan association, a mortgage bank or mutual savings bank.

(2) "Graduated payment home loan" means a conventional loan made pursuant to section 47.20 and subject to the provisions therein, whereunder initial periodic repayments are lower than those under the standard conventional loan having equal periodic repayments, and gradually rise to a predetermined point after which they remain constant.

Subd. 2. AUTHORIZATION. Notwithstanding the provisions of sections 334.01, subdivision 1, and 51A.37, subdivision 3, clause (d), any financial institution is authorized to make graduated payment home loans and purchases representing graduated payment home loans pursuant to such rules as the commissioner of banks finds to be necessary and proper, if any, at an interest rate not in excess of the maximum lawful interest rate prescribed in section 47.20, subdivision 4. Notwithstanding the provisions of section 334.01, subdivision 1, where initial repayments of a graduated payment home loan are less than the total accrued outstanding interest, the excess accrued and unpaid interest may be added to the outstanding loan balance on which interest accrues at the contracted rate.

Subd. 3. GRADUATED PAYMENTS. A mortgage may provide that periodic repayments of principal and interest on variable payment loans may increase in amounts not exceeding the following:

- (a) 7.5 percent annually during a period of five years or less;
- (b) 6.5 percent annually during a period of six years;
- (c) 5.5 percent annually during a period of seven years;
- (d) 4.5 percent annually during a period of eight years;
- (e) 3.5 percent annually during a period of nine years; and
- (f) 3 percent annually during a period of ten years.

No mortgage may provide for principal and interest increases after its first ten years. The increases in payments of principal and interest provided in clauses (a) to (f) are independent and one graduation period may not be used in conjunction with another period.

Subd. 4. CHANGES RESTRICTED. Payments of principal and interest may not be changed more than once a year. The first change may not occur until one year after the date of the first payment under the mortgage.

Changes or additions indicated by underline deletions by ~~strikeout~~

Subd. 5. CONVERSION RIGHTS. Borrowers taking a mortgage with graduated payments shall have the right to convert, at a time chosen by the borrower, to a standard nongraduated payment mortgage. No assessment or penalties shall be made if the borrower chooses to convert at the interest rate and outstanding principal of the graduated payment mortgage.

Subd. 6. DISCLOSURE. Each prospective borrower shall receive materials explaining in reasonably simple terms the graduated payment mortgage offered and a comparable standard mortgage instrument with a fixed interest rate and level payments. The material shall include:

(a) A comparison of the terms of the graduated payment mortgage and a standard mortgage;

(b) Payment schedules for both types of instruments and the total payment in dollars over the full term of the loan;

(c) A description of the conversion option; and

(d) A prominent statement that borrowers have the option to elect a standard mortgage instrument.

Subd. 7. SAVINGS AND LOAN ASSOCIATIONS; FIRST LIEN. Capitalization of interest resulting from any negative amortization of a graduated payment home loan made by a savings and loan association shall not change the status of the mortgage as a first lien against the property securing the loan pursuant to section 51A.38, subdivision 5. The capitalization of interest in a negative amortization shall not be considered as a loan or debt separate from the graduated payment mortgage contracted for at the time of loan origination.

Sec. 2. Minnesota Statutes 1978, Chapter 52, is amended by adding a section to read:

[52.165] GRADUATED PAYMENT HOME LOAN. Subdivision 1. DEFINITION. As used in this section, "graduated payment home loan" means a real estate loan made pursuant to section 52.16, whereunder initial periodic repayments are lower than those under the standard real estate loan having equal periodic repayments, and gradually rise to a predetermined point after which they remain constant.

Subd. 2. AUTHORIZATION. Notwithstanding the provisions of section 334.01, subdivision 1, and subject to the provisions of section 1, subdivisions 4 to 6, a credit union may make graduated payment home loans and purchases representing graduated payment home loans pursuant to such rules as the commissioner of banks finds to be necessary and proper, if any, at an interest rate not in excess of the rate prescribed in section 52.14. Notwithstanding the provisions of section 334.01, subdivision 1, where initial repayments of a graduated payment home loan are less than the total accrued outstanding interest, the excess accrued and unpaid interest may be added to the outstanding loan balance on which interest accrues at the contracted rate.

Approved May 29, 1979.

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