

CHAPTER 523—S.F.No. 2071

An act relating to financial institutions; providing that certain agreements taken by a bank and subject to a certain percentage limitation will not constitute a liability against it; providing for a different percentage limitation in certain cases; amending Minnesota Statutes 1978, Section 48.24, Subdivision 3.

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

Section 1. Minnesota Statutes 1978, Section 48.24, Subdivision 3, is amended to read:

Subd. 3. Conditional sales contracts or other paper evidencing an agreement to purchase or lease personal property owned and guaranteed by the person discounting same, not to exceed 30 percent of the capital stock and surplus, taken from any one person, shall not constitute a liability within the meaning of this section, but the actual liabilities on such ~~conditional sales contracts agreements~~ are not to be construed as affected by the provisions of this subdivision. Provided, however, if information as to the financial condition of each purchaser or lessee is reasonably adequate by reason of the bank's own records or actual knowledge of an officer of the bank and, upon written certification by an officer appointed by the bank's board of directors for that purpose, that the responsibility of each purchaser or lessee has been evaluated and the bank is relying primarily upon the purchaser or lessee for the payment of the obligation, the limitations of subdivision 1 as to each purchaser or lessee shall be the sole applicable loan limitation.

Sec. 2. **EFFECTIVE DATE.** This act is effective the day following final enactment.

Approved April 7, 1980

CHAPTER 524—S.F.No. 2117

An act relating to commerce; providing for investments in certain loans by savings banks and savings associations; defining terms; exempting savings associations from licensing and bonding requirements of safe deposit companies; deleting the dollar limitation on examination fees; amending Minnesota Statutes 1978, Sections 50.14, Subdivision 5; 51A.02, Subdivisions 8 and 17, and by adding a subdivision; 51A.37, Subdivision 3; 55.06, Subdivision 1; and 55.095.

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

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

Section 1. Minnesota Statutes 1978, Section 50.14, Subdivision 5, is amended to read:

Subd. 5. (1) Class four shall be:

(a) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate, whether in fee or in a leasehold of a duration not less than ten years beyond the maturity of the loan, in any state of the United States, worth at least twice the amount loaned thereon;

(b) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate in clause (1) (a) where ~~such the~~ notes or bonds do not exceed 80 percent of the appraised value of the security for the same, provided that ~~such the~~ notes or bonds are payable in ~~instalments~~ installments aggregating not less than five percent of the original principal per annum in addition to the interest; or, are payable on a regular amortization basis in equal ~~instalments~~ installments, including principal and interest, ~~such the~~ instalments installments to be payable monthly in ~~such~~ amounts that the debt will be fully paid in not to exceed 30 years if the security is non-agricultural real estate, and ~~such the~~ instalments to be payable annually or semi-annually in ~~such~~ amounts that the debt will be fully paid in not to exceed 25 years if the security is agricultural real estate. A construction loan ~~shall be~~ is deemed amortized as required by this clause if the first instalment thereon ~~shall be~~ is payable not later than 18 months after the date of the first advance in the case of residential construction or not later than 36 months after the date of the first advance in the case of nonresidential construction; and

(c) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate in clause (1) (a) which are in an original principal amount of \$100,000 or more and which do not exceed 95 percent of the appraised value of the security for the same which may be payable in ~~such a~~ manner as the trustees of the bank ~~shall~~ prescribe, provided that construction loans made by a savings bank pursuant to this clause (1) (c) shall not exceed in the aggregate five percent of the assets of the savings bank.

(2) Class four investments shall be made only on report of a committee directed to investigate the same and report its value, according to the judgment of its members, and its report shall be preserved among the bank's records.

(3) Notwithstanding anything to the contrary in clause (1) (b), a mutual savings bank organized under the laws of this state may invest in notes or bonds secured by mortgages or trust deed where ~~such the~~ notes or bonds do not exceed 95 percent of the appraised value of the security for the same. Except as modified herein, the other provisions of clause (1) (b) ~~shall~~ apply.

(4) For purposes of this subdivision, real estate ~~shall be~~ is deemed unencumbered if the only existing mortgage or lien against the real estate is a first mortgage lien in favor of the savings bank making a second mortgage loan.

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(5) Renegotiable rate notes or bonds secured by mortgages or trust deeds where the notes or bonds do not exceed 95 percent of the appraised value of the security for the same.

For the purposes of this clause, a renegotiable rate mortgage loan is a loan issued for a term of three years to five years, secured by a mortgage maturing in not to exceed 30 years, and automatically renewable at equal intervals after the original loan term which may be up to six months shorter or longer than subsequent terms. The loan must be repayable in equal monthly installments of principal and interest during the loan term, in an amount at least sufficient to amortize a loan with the same principal and at the same interest rate over the remaining life of the mortgage.

In the mortgage documents, the savings bank must grant to the borrower an option to renew the loan for a new term, but not beyond the maturity date of the mortgage, at a new interest rate which shall be the savings bank's current market rate of interest on similar loans determined 60 days before the due date of the loan; provided, that the maximum interest rate increase shall be equal to one-half of one percent per year multiplied by the number of years in the loan term with a maximum net increase of five percent over the life of the mortgage. Interest rate increases are optional with the savings bank; net decreases from the previous loan term are mandatory.

The borrower may not be charged costs connected with the renewal of the loan.

Sixty days before the due date of the loan, the savings bank shall send a written notification to the borrower containing the following information: (i) The date on which the entire balance of borrower's loan is due and payable; (ii) a statement that the loan will be renewed automatically by the savings bank at the rate specified in the notice unless the borrower pays the loan by the due date; (iii) the amount of the monthly payment, calculated according to the new rate determined at the time of notice; (iv) a statement that the borrower may prepay the loan without penalty at any time after the original loan becomes due and payable; (v) the cost, if any, of document preparation and recording; and (vi) the name and phone number of a savings bank employee who will answer the borrowers' questions concerning the information in the notice.

An applicant for a renegotiable rate mortgage loan must be given, at the time an application is requested, written disclosure materials prepared in reasonably simple terms that contain at least the following information: (i) An explanation of how a renegotiable rate mortgage differs from a standard fixed rate mortgage; (ii) an example of a renegotiable rate mortgage indicating the maximum possible interest rate increase and monthly payment calculated on that rate at the time of the first renewal; (iii) an explanation of how the savings bank determines what the rate will be at the end of each loan term; and (iv) an estimate of possible costs of renewal. *

Sec. 2. Minnesota Statutes 1978, Section 51A.02, is amended by adding a subdivision to read:

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Subd. 4a. Pursuant to rules the commissioner finds necessary and proper "direct reduction loan" also means renegotiable rate notes or bonds secured by mortgages or trust deeds where the notes or bonds do not exceed 95 percent of the appraised value of the security for the same.

For the purposes of this subdivision, a renegotiable rate mortgage loan is a loan issued for a term of three years to five years, secured by a mortgage maturing in not to exceed 30 years, and automatically renewable at equal intervals after the original loan term which may be up to six months shorter or longer than subsequent terms. The loan must be repayable in equal monthly installments of principal and interest during the loan term, in an amount at least sufficient to amortize a loan with the same principal and at the same interest rate over the remaining life of the mortgage.

In the mortgage documents, the association must grant to the borrower an option to renew the loan for a new term, but not beyond the maturity date of the mortgage, at a new interest rate which shall be the association's current market rate of interest on similar loans determined 60 days before the due date of the loan; provided, that the maximum interest rate increase shall be equal to one-half of one percent per year multiplied by the number of years in the loan term with a maximum net increase of five percent over the life of the mortgage. Interest rate increases are optional with the association; net decreases from the previous loan term are mandatory.

The borrower may not be charged costs connected with the renewal of the loan.

Sixty days before the due date of the loan, the association shall send a written notification to the borrower containing the following information: (i) The date on which the entire balance of borrower's loan is due and payable; (ii) a statement that the loan will be renewed automatically by the association at the rate specified in the notice unless the borrower pays the loan by the due date; (iii) the amount of the monthly payment, calculated according to the new rate determined at the time of notice; (iv) a statement that the borrower may prepay the loan without penalty at any time after the original loan becomes due and payable; (v) the cost, if any, of document preparation and recording; and (vi) the name and phone number of an association employee who will answer the borrowers' questions concerning the information in the notice.

An applicant for a renegotiable rate mortgage loan must be given, at the time an application is requested, written disclosure materials prepared in reasonably simple terms that contain at least the following information: (i) An explanation of how a renegotiable rate mortgage differs from a standard fixed rate mortgage; (ii) an example of a renegotiable rate mortgage indicating the maximum possible interest rate increase and monthly payment calculated on that rate at the time of the first renewal; (iii) an explanation of how the association determines what the rate will be at the end of each loan term; and (iv) an estimate of possible costs of renewal.*

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Sec. 3. Minnesota Statutes 1978, Section 51A.02, Subdivision 8, is amended to read:

Subd. 8. "Home property" means real estate on which there is located, or will be located pursuant to a real estate loan, either a structure designed for residential use by one family or a single condominium unit, or unit in a residential cooperative, including ~~common~~ all elements pertinent thereto, designed for residential use by one family in a multiple dwelling unit structure or complex, and shall ~~include~~ includes fixtures, furnishings and equipment installed and intended for use as part of the structure.

Sec. 4. Minnesota Statutes 1978, Section 51A.02, Subdivision 17, is amended to read:

Subd. 17. "Primary lending area" means the ~~county in which the principal place of business is located and those counties immediately contiguous thereto and any additional areas within 100 miles from the home office of an association, provided that any association now or hereafter incorporated may enlarge its territory by making application to the commissioner~~ state of Minnesota.

Sec. 5. Minnesota Statutes 1978, Section 51A.37, Subdivision 3, is amended to read:

Subd. 3. **REAL ESTATE LOANS.** Real estate loans in any amount not exceeding the value of the security, subject to the following conditions:

(a) No association shall make a real estate loan to one borrower if the sum of (1) the amount of ~~such the~~ loan and (2) the total balances of all outstanding real estate loans owed to ~~such the~~ association by ~~such the~~ borrower exceeds an amount equal to ten percent of ~~such the~~ association's savings liability or an amount equal to the sum of ~~such the~~ association's reserves for losses and undivided profits, whichever amount is less, except that any such loan may be made if the sum of (1) and (2) does not exceed \$100,000.

(b) An association may (1) participate with one or more financial institutions, or entities having a tax exemption under section 501(a) of the internal revenue code, in any real estate loan of the type in which ~~such the~~ association is authorized to invest on its own account, provided that the participating interest of ~~such the~~ association is not subordinated or inferior to any other participating interest; and (2) participate in ~~such~~ real estate loans with other than financial institutions or those entities described, provided that the participating interest of ~~such the~~ association is superior to the participating interests of ~~such the~~ other participants.

(c) *The aggregate balances outstanding of real estate loans on real estate located outside the primary lending area of an association shall at no time exceed ten percent of the assets of the association, except that (1) loans insured or guaranteed in whole or in part by the United States, or a federal agency and (2) loans in which an association owns or has purchased no more than a 75 percent participation interest ~~shall~~ are not be subject to this restriction; and*

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(d) Direct reduction real estate loans on home property and not in excess of 90 percent of the value of the security except as may be provided by the Federal Home Loan Bank Board for federally insured associations, and direct reduction real estate loans on primarily residential property not in excess of 80 percent of the value of the security, including participating interests in such the loans, shall average annually, based on monthly computations, at least 70 percent of assets, other than liquid assets, held by the association.

(e) Real estate loans on home property by mortgage or contract for deed, as provided in clauses (a) through (d) above with no limit on purchase or sale thereof; and may participate with other lenders in the making, purchasing, or selling such of the loans, provided (1) the property securing same is within 100 miles of the principal servicing office of such the other lender or lenders and (2) that such the other lender or lenders participate to the extent of at least 25 ten percent in such the loan and further provided not more than 25 percent of the assets of the association licensed hereunder shall be in such the loan.

(f) An association may purchase, at any sheriff's judicial, or other sale, public or private, any real estate upon which it has a mortgage, judgment, or other lien, or in which it has any interest. It may acquire title to any real estate on which it holds any lien, in full or part satisfaction thereof, and may sell, convey, hold, lease, or mortgage the same. In transactions involving the purchase by a vendee of improved real estate for home purposes, or for the construction of a home, a savings and loan association organized under the laws of this state, or of the United States of America, may, when authorized by its bylaws, acquire the title thereof, and it may give to the vendee a contract to convey the same as upon a sale thereof. Provided, that no association shall hereafter invest more than 50 percent of its assets in such contracts to convey. Upon default in the conditions of the contract, the association may terminate the interest of the vendee, his representatives or assigns by serving the notice provided by section 559.21, upon such the vendee, his representative or assigns.

Sec. 6. Minnesota Statutes 1978, Section 55.06, Subdivision 1, is amended to read:

55.06 BUSINESS NOT TO BE CONDUCTED WITHOUT LICENSE. Subdivision 1. No person except a bank, a savings bank, a credit union, a savings association or a trust company may let out or rent as lessor, for hire, safe deposit boxes or take or receive valuable personal property for safe-keeping and storage, as bailee, for hire, without procuring a license and giving a bond, as required by this chapter, except as otherwise authorized by law so to do.

Sec. 7. Minnesota Statutes 1978, Section 55.095, is amended to read:

55.095 DUTIES OF COMMISSIONER OF BANKS. Every safe deposit company ~~shall be~~ is at all times under the supervision and subject to the control of the commissioner of banks. He shall, through his examiners, visit at least once each year each safe deposit company licensed by him to ascertain whether such the safe deposit company is complying with the provisions of this chapter and whether its methods and systems are in accordance with law and designed to

protect the property of persons doing business with it. For each examination he shall charge the actual expenses of examination ~~not to exceed \$25~~. If the commissioner of banks determines that the safe deposit company is violating the provisions of this chapter, or any law of the state, he may serve notice on the safe deposit company of his intention to revoke the license, stating in general the grounds therefor and giving reasonable opportunity to be heard. If for a period of 15 days after ~~such the~~ notice, ~~said the~~ violation continues, the commissioner of banks may revoke ~~said the~~ license and take possession of the business and property of ~~such the~~ safe deposit company and maintain possession until ~~such the~~ time as he shall ~~permit the~~ commissioner permits it to continue business, or its affairs are finally liquidated.

Sec. 8. Sections 1 and 2 of this act are effective upon the adoption of 12 C.F.R. section 545.6-4a by the Federal Home Loan Bank Board. Sections 3, 4, 5, 6 and 7 of the act are effective the day following final enactment.

Approved April 7, 1980

* See the amendments to sections 1 and 2 in Laws 1980, Chapter 618, Section 12.

CHAPTER 525—S.F.No. 2184

An act relating to Special School District No. 1; modifying the district's responsibility to develop a long range building plan and providing certain bonding authority; amending Laws 1963, Chapter 645, Section 3, Subdivision 5; and Laws 1959, Chapter 462, Section 3, Subdivision 7, as amended and renumbered.

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

Section 1. Laws 1963, Chapter 645, Section 3, Subdivision 5, is amended to read:

Subd. 5. The school district shall develop a comprehensive long-range building plan to project forward school needs at any given time for at least the next fifteen five years, such plan to include the needs of the district in connection with school sites, new schools and additions to existing buildings, retiring of obsolete facilities, and rehabilitating, remodeling, and equipping existing school buildings. ~~Such The~~ plan shall be reviewed and updated by the school staff and the board ~~yearly commencing in 1964. Such The~~ plan shall be submitted ~~yearly commencing in 1963~~ by the board to the City Planning Commission for its review and recommendations.

Sec. 2. Laws 1959, Chapter 462, Section 3, Subdivision 7, as amended and renumbered as Subdivision 10 by Laws 1963, Chapter 645, Section 3, as amended by Laws 1967, Chapter 661, Section 3, Laws 1969, Chapter 994, Section 1, and Laws 1975, Chapter 320, Section 1, is amended to read:

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