

shall not apply and the rules may be in effect until the termination of the demonstration programs; and (c) seek any federal waivers necessary for proper implementation of this section in accordance with federal law. The commissioner shall prohibit use of participants in the programs to do work that was part or all of the duties or responsibilities of an authorized public employee position established as of January 1, 1983.

Projects shall end no later than June 30, 1984, and a preliminary report shall be made to the legislature by February 15, 1984, on the feasibility of permanent implementation and on the cost effectiveness of each of the demonstration programs.

Approved June 1, 1983

CHAPTER 250 — H.F.No. 521

An act relating to financial institutions; providing for the payment of hearing costs on contested applications; including credit union share insurance corporations and industrial loan and thrift guarantee issuers in the group of organizations permitted to receive examination reports; removing the requirement that a financial institution's board of directors hold qualifying shares; clarifying limitations on junior mortgage loans by banks; establishing application fees; removing a certain filing requirement; reducing the number of savings association incorporators; clarifying the notice requirements for savings association conversions; clarifying the industrial loan and thrift company lending limit and increasing the capital to deposit limitation; providing first installment requirements for regulated lenders and motor vehicle sales finance companies; providing credit insurance disclosure requirements for regulated lenders; clarifying financial corporation organizational requirements; providing that no employee, officer, director, or shareholder of a financial institution, or a corporation, partnership, or association in which these persons have an interest, may retain income from the sale of credit insurance in connection with a loan made by the financial institution; providing that the income must be turned over to the financial institution; regulating the use of terminals by financial institutions located outside the state; amending Minnesota Statutes 1982, sections 45.04, subdivision 1; 46.07, subdivision 2; 47.54, subdivision 1; 47.64, subdivision 6; 48.06; 48.19, subdivision 1; 48.68; 49.36, subdivision 1; 49.37; 51A.03, subdivisions 1 and 4; 51A.065, subdivision 4; 51A.13, subdivisions 2 and 2a; 51A.51, subdivisions 2 and 3a; 52.203; 53.01; 53.03, subdivisions 1, 5, and 6; 53.04, subdivision 3a; 53.05; 53.06; 56.001, subdivision 3; 56.131, subdivision 1; 56.155, subdivision 1; 168.72, subdivision 1; 300.025; and 300.20; proposing new law coded in Minnesota Statutes, chapter 47.

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

Section 1. Minnesota Statutes 1982, section 45.04, subdivision 1, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subdivision 1. **FILING; FEE; HEARING.** The incorporators of any a bank proposed to be organized under the laws of this state shall execute and acknowledge an a written application, in writing, in the form prescribed by the department of commerce, and shall file the same in its office, which. The application shall must be signed by two or more of the incorporators, requesting and request a certificate authorizing the proposed bank to transact business at the place and in the name stated in the application. At the time of filing the application The applicant shall pay file the application with the department with a \$1,000 filing fee of \$1,000, which shall be paid into the state treasury and credited to the general fund and shall pay to the commissioner of banks the sum of and a \$500 as a investigation fee for investigating the application which shall. The fees must be turned over by him to the state treasurer and credited by the treasurer to the general fund of the state. Thereupon the commission shall fix a time, within 60 days after the filing of the application, for a hearing at its office at the state capitol, at which hearing it shall to decide whether or not the application shall will be granted. A notice of the hearing shall must be published in the form prescribed by the commission in some a newspaper published in the municipality in which the proposed bank is to be located, and if there be is no such newspaper, then at the county-seat of the county in which the bank is proposed to be located. The notice shall must be published once, at the expense of the applicants, not less than 30 days prior to the date of the hearing. At the hearing the commission shall consider the application and hear the applicants and such witnesses as that may appear in favor of or against the granting of the application of the proposed bank. If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund, must be paid by the applicant and 50 percent equally by the intervening parties.

Sec. 2. Minnesota Statutes 1982, section 46.07, subdivision 2, is amended to read:

Subd. 2. **CONFIDENTIAL RECORDS.** The commissioner shall divulge facts and information obtained in the course of examining financial institutions under his supervision only when and to the extent that he is required or permitted by law to report upon or take special action regarding the affairs of an institution, or to testify in a criminal proceeding or in a court of justice, except that he may, in his discretion, furnish information as to matters of mutual interest to an official or examiner of the federal reserve system, the federal deposit insurance corporation, or the federal savings and loan insurance corporation, the national credit union administration, a legally constituted state credit union share insurance corporation approved under section 52.24, or the issuer of a commitment for insurance or guarantee of the certificates of an industrial loan and thrift company approved under section 53.10. The commissioner shall not be required to disclose the name of a debtor of a financial institution under his supervision, or anything relative to the private accounts, ownership, or transactions of an

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institution, or any fact obtained in the course of an examination thereof, except as herein provided. These records are classified confidential for purposes of the Minnesota government data practices act and their destruction, as prescribed in section 46.21, shall be is exempt from the provisions of chapter 138 and Laws 1971, chapter 529, so far as their deposit with the state archives.

Sec. 3. Minnesota Statutes 1982, section 47.54, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION.** Any bank desiring to establish a detached facility shall execute and acknowledge ~~an a written~~ application, ~~in writing,~~ in the form prescribed by the commissioner, and shall file the application in the commissioner's office, ~~together~~ with a fee of \$500, ~~and.~~ If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the commissioner in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund, shall be paid by the applicant and 50 percent equally by the intervening parties. Thereupon the applicant shall publish a notice of the filing of the application in a newspaper published in the municipality in which the proposed detached facility is to be located, and if there is no such newspaper, then at the county seat of the county in which the facility is proposed to be located. The notice ~~shall must~~ be in the form prescribed by the commissioner and, in addition to the publication, the applicant ~~shall must~~ mail a copy of the notice by certified mail to every bank located within three miles of the proposed location of the detached facility, measured in the manner as provided ~~above~~ in section 47.52.

Sec. 4. Minnesota Statutes 1982, section 47.64, subdivision 6, is amended to read:

Subd. 6. ~~The person establishing and maintaining an electronic financial terminal, exclusive of any supporting equipment, structure, or system, shall limit its use in the performance of financial transactions to transactions for customers of Minnesota financial institutions and for customers of financial institutions located within 20 miles of Minnesota in an adjoining state~~ A customer of a bank, savings bank, savings and loan association, or credit union located outside Minnesota may, with the consent of the person establishing an electronic financial terminal, use the terminal for the withdrawal of funds and for the inquiry as to the balance in that customer's accounts maintained with that institution. Nothing in sections 47.61 to 47.74 shall be construed to authorize any person, other than a financial institution, to engage in business which is only legally authorized to be engaged in by financial institutions.

Sec. 5. Minnesota Statutes 1982, section 48.06, is amended to read:

48.06 DIRECTORS; QUALIFICATIONS.

If the number of directors exceeds nine, they may designate, semi-annually, by resolution, nine of their number, a majority of whom shall constitute

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constitutes a quorum for the transaction of business. Every director of a bank shall actually own at least \$1,000 par value of the bank's common, fully paid stock, or an equivalent interest, as determined by the commissioner, in a company which has control over a bank within the meaning of section 2 of the Bank Holding Company Act of 1956, 12 U.S.C. 1841, and shall take and subscribe an oath that he is the owner in good faith of that amount of stock, that the stock is not in any way pledged for any loan or debt, and that he will faithfully perform his official duties, and not knowingly violate, or permit to be violated, any provision of law. The taking of this oath shall must be duly certified in the minutes of the records of the bank.

Sec. 6. Minnesota Statutes 1982, section 48.19, subdivision 1, is amended to read:

Subdivision 1. **RESTRICTIONS; EXCEPTION.** No bank or trust company shall make any loan upon the security of real estate unless it is a first lien thereon, except that a bank or trust company may take a junior lien: (a) upon real estate to secure a loan previously contracted; (b) upon farm real estate to secure a loan made to a farmer who resides in a county which due to weather conditions is a declared federal disaster area at the time the loan contract is signed; or (c) upon real estate to secure a loan if the total unpaid aggregate of all outstanding liens against the same real estate does not exceed 80 percent of its appraised value. This limitation applies notwithstanding the provisions of sections 47.20, subdivision 1 and 47.21 as to loans, advances of credit, or participations in loans eligible for purchase in whole or in part by the federal national mortgage association or the federal home loan mortgage corporation or which are authorized by the federal home loan bank board or office of the comptroller of the currency. Before any such these loans are made the value of the real estate shall must be determined by an appraisal made by a committee appointed by the board of directors, which appraisal shall be made a matter of record; except that but the board may accept an appraisal made by or for an agency of the United States government when such if the agency is guaranteeing or insuring the loan or any part thereof. The appraisal must be made a matter of record.

A bank may take additional liens on the same security and. These shall be liens are considered to be part of the same mortgage lien thereon providing if it has been established that there are no intervening liens.

Loans in which the small business administration cooperates through agreements to participate on an immediate or deferred basis under the federal small business act or loans or obligations secured or guaranteed by the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States, shall are not be subject to the restrictions or limitations of this section imposed upon loans secured by real estate.

Sec. 7. Minnesota Statutes 1982, section 48.68, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

48.68 DIRECTORS; QUALIFICATIONS; VACANCIES, HOW FILLED.

Each director of a trust company shall own at least \$1,000 par value of its capital stock or equivalent interest as prescribed in section 48.06, and a majority of them shall the directors of a trust company must be residents of this state. Each shall take and subscribe an oath that he will diligently and honestly perform his official duties and will not knowingly violate, or permit to be violated, any provision of law relating to trust companies and that he is the owner in good faith of the stock above specified standing in his name. The taking of this oath must be noted on the minutes of the records of the corporation and filed with the commissioner. Failure of any person selected as director to qualify shall create creates a vacancy in the board, and all vacancies in the board shall must be filled by the qualified members; provided, that. However, not more than one-third of the membership of the board may be so filled in any one year.

Sec. 8. [47.016] DISPOSITION OF CREDIT INSURANCE INCOME.

Subdivision 1. DEFINITIONS. (a) For the purpose of this section, the following terms have the meanings given them.

(b) "Credit insurance" means credit life and accident and health insurance as defined in section 62B.02.

(c) "Officer," "director," "employee," and "shareholder" include the spouse and minor children of the officer, director, employee, or shareholder.

(d) "Interest" includes ownership through a spouse or minor children; ownership through a broker, nominee, or agent; and ownership through a corporation, partnership, association, joint venture, or proprietorship.

(e) "Financial institution" means any person who lends money and sells credit insurance to the borrower.

Subd. 2. SCOPE AND PURPOSE. This section applies to sales of credit insurance by employees, officers, directors, and shareholders of a financial institution and by corporations, partnerships, associations, and other entities in which these persons have an interest. The purposes of this section are (1) to prohibit employees, officers, directors, members, and shareholders of financial institutions from benefiting personally on the sale of credit insurance to loan customers and (2) to encourage marketing of credit insurance through the use of financial facilities only under arrangements which assure that employees, officers, directors, and shareholders do not receive benefits not shared with all stockholders or members of the financial institution.

Subd. 3. DISTRIBUTION OF CREDIT INSURANCE INCOME. No employee, officer, director, or shareholder of a financial institution, nor a corporation, partnership, association, or other entity in which these persons have

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an interest, may retain commissions or other income from the sale of credit insurance in connection with a loan made by the financial institution. All such income received by these persons or by a corporation, partnership, association, or other entity in which these persons have an interest, must be turned over to the financial institution. Nothing in this section prohibits a financial institution from receiving the income directly in the form of commissions or as compensation for use of its premises, personnel, and good will.

Sec. 9. Minnesota Statutes 1982, section 49.36, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENTS.** This consolidation agreement and certified copy of the proceedings of the meetings of the respective boards of directors, at which the making of the agreement was authorized, shall must be submitted to the commissioner of banks for approval, and it shall with a fee of \$250 payable to the commissioner of banks. The fee must be paid in equal parts by the parties to the agreement. The consolidation is not be effective until so approved by the commissioner. The commissioner shall take action after the documents are submitted, and shall be entitled to further information from the consolidated corporation as may be requested, by request or as may be obtained upon a hearing directed by the commissioner.

Sec. 10. Minnesota Statutes 1982, section 49.37, is amended to read:

49.37 STOCKHOLDERS TO APPROVE; CERTIFICATE OF CONSOLIDATION.

Either before or after the consolidation agreement has been approved by the commissioner of banks, it shall must be submitted to the stockholders of each corporation at a meeting thereof called for that purpose, and it shall does not become binding upon the corporation until it shall have has been approved at each of the meetings by the vote or ballot of the stockholders, holding at least a majority of the amount of stock of the respective corporations. Proof of the holding of these meetings and the results thereof shall must be submitted to the commissioner of banks. After the consolidation agreement shall have has been so approved by the stockholders of the respective corporations and by the commissioner of banks, the latter shall issue a certificate reciting that these corporations have complied with the provisions of sections 49.34 to 49.41, and; declaring the consolidation of these corporations; and stating the name of the consolidated corporation, the amount of capital stock thereof, and the names of the first board of directors, and the place of business of the consolidated corporation, which shall must be within the city where any one of the constituent corporations shall have has been previously authorized to have its place of business. Upon the issuing of this certificate and the filing thereof for record in the office of the secretary of state, and also in the office of the county recorder within and for the county in which the consolidated corporation is authorized to have its principal place of business, this incorporation shall be is deemed to be complete, and the

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consolidated corporation shall, from the date of this certificate, have ~~such~~ the term of corporate existence as ~~may be~~ therein specified, not exceeding the longest unexpired term of any constituent corporation. The certificate of the commissioner of banks ~~shall be~~ is prima facie evidence that all of the provisions of sections 49.34 to 49.41 have been complied with, and ~~shall be~~ is conclusive evidence of the existence of the consolidated corporation.

Sec. 11. Minnesota Statutes 1982, section 51A.03, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION FOR CERTIFICATE OF INCORPORATION.** At any time hereafter any ~~five~~ three or more individuals, citizens of this state, may apply to form a mutual association or capital stock association to promote thrift and home financing subject to approval as ~~hereinafter~~ provided in sections 51A.01 to 51A.57. ~~Five~~ Three of the individual applicants shall be incorporators and sign and acknowledge before an officer competent to take acknowledgments of deeds, two copies of an application for a certificate of incorporation in the form prescribed by the commerce commission, and of the bylaws in the form set out in this section or in a form approved by the commissioner, which shall be filed with the commissioner, accompanied by the incorporation fee. The applicants shall submit with their application statements, exhibits, map, and other data which the commissioner may require, ~~which~~. The data ~~shall must~~ be sufficiently detailed and comprehensive to enable the commerce commission to pass upon the application as to the criteria set out in subdivision 3.

Sec. 12. Minnesota Statutes 1982, section 51A.03, subdivision 4, is amended to read:

Subd. 4. **PROCEDURE; FILING OF ARTICLES.** The procedure for processing the application, conducting the hearing, and other matters pertinent thereto, ~~shall must~~ be established by rules ~~promulgated~~ adopted by the commissioner. After approval, if approved, the commissioner shall issue a certificate of approval and the articles of incorporation ~~shall must~~ then be filed with the secretary of state, who shall record ~~same them~~ and certify the fact, thereon. ~~The certificate and articles shall be filed with the county recorder of the county of the principal place of business, as specified in the certificate.~~

Sec. 13. Minnesota Statutes 1982, section 51A.065, subdivision 4, is amended to read:

Subd. 4. **SUBMISSION TO MEMBERS OR STOCKHOLDERS.** If the commissioner or other appropriate supervisory authority ~~shall approve~~ ap-
proves a plan of conversion in accordance with subdivision 3, the plan ~~shall must~~
be submitted for adoption to the members or stockholders of the converting
applicant by vote at a meeting called to consider the action. Except in the case
of a conversion of a state association to a federally chartered association of like

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corporate form, or vice versa pursuant to subdivision 7 and in addition to any notice of annual or special meeting required by Laws 1981, chapter 276 and at least three weeks prior to the meeting, a copy of the plan, together with an accurate summary plan description explaining the operation of the plan and the rights, duties, obligations, liabilities, conditions, and requirements which may be imposed upon the members or stockholders and the converted applicant as a result of the adoption of the plan, shall must be mailed to each member or stockholder eligible to vote at the meeting. The plan of conversion may be approved by not less than a majority of the total number of votes eligible to be cast at the meeting. If the plan is so approved, action shall must be taken to obtain a charter, articles of incorporation, articles of association or similar instrument, adopt bylaws, elect directors and officers and take other action prescribed or appropriate for the type of corporation into which the converting applicant will be converted. A certified report of the proceedings at the meeting shall must be filed promptly with the commissioner or other appropriate supervisory authority.

Sec. 14. Minnesota Statutes 1982, section 51A.13, subdivision 2, is amended to read:

Subd. 2. **QUALIFICATIONS REQUIRED OF DIRECTORS OF MUTUAL ASSOCIATIONS.** ~~In order to qualify as a director, a member of a mutual association must hold individually, or jointly with his spouse, a savings account, the withdrawal value of which is at least \$500; provided that, if the assets of the association exceed \$5 million, the withdrawal value of the account must be at least \$1,000. Except with the written consent of the commissioner, no member shall be eligible for election or shall serve as a director or officer of an association who has been adjudicated a bankrupt or convicted of a criminal offense involving dishonesty or a breach of trust. A director shall automatically cease to be a director when he ceases to be a member, or when he is adjudicated a bankrupt or is convicted of a criminal offense as herein provided, or when the net equity above loans of all savings accounts in the association held by him aggregates less than the minimum required to be eligible for election as a director, but no action of the board of directors shall be invalidated through the participation of the director in the action; provided, that. However, if a director becomes ineligible under the terms of this subdivision by reason of the exercise by the association of the right of redemption of savings accounts provided for in section 51A.34, he shall remain validly in office until the expiration of his term or until he otherwise becomes ineligible, resigns, or is removed, whichever may occur first.~~

Sec. 15. Minnesota Statutes 1982, section 51A.13, subdivision 2a, is amended to read:

Subd. 2a. **QUALIFICATIONS REQUIRED OF DIRECTORS OF STOCK ASSOCIATIONS.** ~~In order to qualify as a director of a capital stock~~

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association each director shall own and hold shares of voting capital stock of the association unencumbered with a par or stated value of not less than \$500, provided that, if the total assets of the association exceed \$5,000,000, a director must own and hold shares of not less than \$1,000. Except with the written consent of the commissioner, no person shall be eligible for election or shall serve as director or officer of an association who has been adjudicated a bankrupt or convicted of a criminal offense involving dishonesty or a breach of trust. A director shall automatically cease to be a director when he is adjudicated a bankrupt or is convicted of a criminal offense as herein provided or when the par or stated value of the shares of voting capital stock of the association held by him aggregates less than the minimum required to be eligible for election as a director.

Sec. 16. Minnesota Statutes 1982, section 51A.51, subdivision 2, is amended to read:

Subd. 2. **INCORPORATION FEE.** At the time of filing the application for a certificate of incorporation, the incorporators shall pay a \$1,000 filing fee of \$1,000 which shall be paid into the state treasury and credited to the general fund, and shall pay to the banking department the sum of a \$500 as a investigation fee for investigating the application. If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund, shall be paid by applicant and 50 percent equally by the intervening parties.

Sec. 17. Minnesota Statutes 1982, section 51A.51, subdivision 3a, is amended to read:

Subd. 3a. **FEE FOR ESTABLISHMENT OF OTHER THAN PRINCIPAL OFFICE.** There shall accompany each application to the commissioner for establishment of other than the principal office a \$1,000 filing fee of \$1,000 payable to the state treasury and \$500 payable to the banking department. If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund, shall be paid by applicant and 50 percent equally by the intervening parties.

Sec. 18. Minnesota Statutes 1982, section 52.203, is amended to read:
52.203 **MERGER.**

Any credit union chartered by this state may merge with and be absorbed by any other state or federal credit union, and any credit union chartered by this or any other state or any federal credit union may be merged into a successor credit union chartered by this state, upon approval of all regulatory agencies concerned, and upon compliance with this section as regards the credit union chartered by this state. At the time of filing with the commissioner of any

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proposed merger or consolidation plan, the credit unions proposing to merge or consolidate shall submit a fee of \$100 payable to the commissioner of banks. The fee shall be paid in equal parts by the credit unions' party to the proposal.

A credit union may be absorbed after two-thirds of its members present and entitled to vote ~~shall~~ have voted in favor of the merger at a special meeting called by a majority of the board of directors for that purpose, upon ~~fourteen~~ 14-days mailed written notice to each member at his last known address clearly stating the purpose of the special meeting, or at any regular meeting after like notice of the purpose has been given. Thereafter, the board of directors ~~shall have authority to~~ may execute an agreement of merger with the successor credit union, subject to approval of ~~sueh~~ the agreement by the commissioner of banks. The commissioner shall approve or disapprove of ~~said~~ the agreement within 60 days of the date the agreement is submitted to him. ~~Sueh~~ The approved agreement ~~shall~~ must be filed with the county recorder in the county where ~~sueh~~ the credit union is located.

If the successor credit union which absorbs one or more credit unions is chartered by this state it ~~shall have authority to~~ may execute an agreement of merger upon approval of ~~sueh~~ the agreement by the commissioner of banks and by the board of directors of the credit union. The commissioner of banks shall approve the merger agreement if it is in the best interest of the credit unions involved. In any event, the commissioner of banks shall approve or disapprove of the merger agreement within 60 days of the date the agreement is submitted to him. Members of, and persons eligible for membership in, the credit union being absorbed ~~shall~~ have all rights of membership in the successor credit union.

The charter and license and all other rights and property of the credit union being absorbed ~~shall be~~ is deemed to be transferred to and invested in the successor credit union upon ~~sueh~~ execution and approval of the merger agreement without further action. Any pending action or other judicial proceeding to which the credit union being absorbed is a party at the date of merger ~~shall~~ does not abate by reason of the merger. If the credit union being absorbed is chartered by this state, its corporate existence ~~shall cease~~ ceases upon ~~sueh~~ the execution and approval of the merger agreement without further action.

Sec. 19. Minnesota Statutes 1982, section 53.01, is amended to read:

53.01 ORGANIZATION.

It is lawful for three or more persons, who desire to form a corporation for the purpose of carrying on primarily the business of loaning money to persons within the conditions set forth in this chapter, to organize, under this chapter, an industrial loan and thrift company, by filing with the secretary of state ~~and the county recorder in the county in which the place of business of the corporation is located,~~ a certificate of incorporation, and upon paying the fees prescribed by sections 301.07 and 301.071 or chapter 302A and upon compliance with the

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procedure provided for the organization and government of ordinary corporations under the laws of this state, and upon compliance with the additional requirements of this chapter prior to receiving authorization to do business.

Sec. 20. Minnesota Statutes 1982, section 53.03, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION, FEE, NOTICE.** Any corporation hereafter organized as an industrial loan and thrift company, shall, after compliance with the requirements set forth in sections 53.01 and 53.02, ~~cause an~~ file a written application, in writing, to be made to with the department of commerce for a certificate of authorization. The application, in triplicate, ~~shall~~ must be in the form prescribed by the department of commerce ~~and filed in its office.~~ The application ~~shall~~ must be made in the name of the corporation, executed and acknowledged by two of its officers designated by the board of directors of the corporation for that purpose, requesting a certificate authorizing the corporation to transact business as an industrial loan and thrift company, at the place and in the name stated in the application. At the time of filing the application the applicant shall pay a \$1,000 filing fee ~~of \$500, to be paid into the state treasury and credited to the general fund and also shall pay to the commissioner of banks the sum of \$250 and a \$500 as a~~ investigation fee for investigating the application, which fee shall. ~~The fees must be turned over by the commissioner to the state treasurer and credited to the general fund of the state, and.~~ The applicant shall also submit a copy of the bylaws of the corporation, its articles of incorporation and all amendments thereto at that time. If the application is contested, ~~the applicant shall pay 50 percent of~~ an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited to the general fund of the state shall be paid by the applicant and 50 percent equally by the intervening parties. A notice of the filing of the application ~~shall~~ must be published once within 30 days of the receipt of the form prescribed by the department of commerce, at the expense of the applicant, in a newspaper published in the municipality in which the proposed industrial loan and thrift company is to be located, or, if there be none, in a newspaper published at the county seat of the county in which the company is proposed to be located. If the department of commerce receives a written objection to the application from any person within 20 days of the notice having been fully published a contested case hearing ~~shall~~ must be conducted on the application. The department of commerce may without cause order a contested case hearing on the application. Notice of a hearing in connection with this section ~~shall~~ must be published once in the form prescribed by the department of commerce, at the expense of the applicant, in the same manner as a notice of application.

Sec. 21. Minnesota Statutes 1982, section 53.03, subdivision 5, is amended to read:

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Subd. 5. **PLACE OF BUSINESS.** Not more than one place of business shall may be maintained under any certificate of authorization issued subsequent to the enactment of Laws 1943, chapter 67, pursuant to the provisions of this chapter, but the department of commerce may issue more than one certificate of authorization to the same corporation upon compliance with all the provisions of this chapter governing an original issuance of a certificate of authorization. Where The filing fee for a branch application shall be \$500 and the investigation fee \$250. If a corporation has been issued more than one certificate of authorization, ~~such~~ the corporation shall allocate a portion of contributed capital to each office for which ~~such~~ the certificate has been issued, in order to comply with the capital requirements of section 53.02 and section 53.05, clauses (2) and (3) which sections ~~shall be~~ are applicable to each ~~such~~ office and the capital allocated thereto in the same manner as if each certificate had been issued to a separate corporation. Each additional certificate of authorization issued pursuant to the provisions of this subdivision shall must be filed with the secretary of state and the county recorder of the county in which the corporation is authorized to do business thereunder. Any such The corporation may change one or more of its locations upon the written approval of the commissioner of banks. A fee of \$100 must accompany each application to the commissioner for approval to change the location of an established office.

Sec. 22. Minnesota Statutes 1982, section 53.03, subdivision 6, is amended to read:

Subd. 6. **AMENDED CERTIFICATES, THRIFT CERTIFICATES FOR INVESTMENT, APPLICATION, FEE, NOTICE.** Upon approval by the commissioner of banks of a commitment for insurance or guarantee of certificates to be held for investment as required in section 53.10, subdivision 3, an industrial loan and thrift company may apply to the department of commerce for an amended certificate of authorization and consent to sell and issue thrift certificates for investment.

The application, in triplicate, shall must be in the form prescribed by the department of commerce and filed in its office. At the time of filing the application, the applicant shall pay a filing fee of \$500 and if an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the state treasurer and credited by the treasurer to the general fund shall, must be paid by applicant and 50 percent equally by the intervening parties. A notice of the filing of the application shall must be published once within 30 days of the receipt of the form prescribed by the department of commerce, at the expense of the applicant, in a newspaper published in the municipality in which the place of business under the application is located, or if there is none, in a newspaper published at the county seat of the county in which the place of business is located. Not more than one place of business maintained under a certificate of authorization shall may be the subject of an application.

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Sec. 23. Minnesota Statutes 1982, section 53.04, subdivision 3a, is amended to read:

Subd. 3a. (a) The right to make loans, secured or unsecured, at the rates and on the terms and other conditions permitted licensees under chapter 56. Loans made under the authority of chapter 56 must be in amounts in compliance with section 53.05, clause (3), or 56.131, subdivision 1, paragraph (a), whichever is less. The right to extend credit or lend money and to collect and receive charges therefor as provided by chapter 334, or in lieu thereof to charge, collect, and receive interest at the rate of 21.75 percent per annum. The provisions of sections 47.20 and 47.21 do not apply to loans made under this section, except as specifically provided in this subdivision. Nothing in this subdivision shall be is deemed to supersede, repeal, or amend any provision of section 53.05. A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.

(b) Loans made under this section at a rate of interest not in excess of that provided for in paragraph (a) may be secured by real or personal property, or both. If the proceeds of a loan made after August 1, 1984 are used in whole or in part to satisfy the balance owed on a contract for deed, the rate of interest charged on the loan shall must not exceed the rate provided in section 47.20, subdivision 4a. If the proceeds of a loan secured by a first lien on the borrower's primary residence are used to finance the purchase of the borrower's primary residence, the loan must comply with the provisions of section 47.20.

Sec. 24. Minnesota Statutes 1982, section 53.05, is amended to read:

53.05 POWERS, LIMITATION.

No industrial loan and thrift company shall have power to may do any of the following:

(1) ~~To~~ carry commercial or demand banking accounts; ~~to~~ use the word "bank" or "banking" in its corporate name; ~~to~~ receive savings accounts or deposits or operate as a savings bank;

(2) ~~To~~ have outstanding at any one time certificates of indebtedness, exclusive of those held by the company, as security for loans made by it of more than seven times the sum of the contributed capital and appropriated reserves of the company until July 1, 1985, or the date an industrial loan and thrift company obtains a commitment for insurance or guarantee of accounts acceptable to the commissioner as required by section 53.10, whichever is earlier, and thereafter 15 times the sum of contributed capital and appropriated reserves of the company;

(3) ~~To~~ lend money in excess of ten percent of its contributed capital and appropriated reserves to any person primarily liable; ~~provided,~~ however, if a loan has been made to any one person primarily liable and payments have been made on the certificate of indebtedness securing it, the amount of ~~such~~ the payments

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may be added to the limitation stated in this clause for the purpose of determining whether additional loans may be made to that person;

(4) ~~To~~ accept trusts or act as guardian, administrator, or judicial trustee in any form; ~~or~~

(5) ~~To~~ deposit any of its funds in any banking corporation, unless that corporation has been designated by vote of a majority of directors or of the executive committee present at a meeting duly called, at which a quorum was in attendance;

(6) ~~To~~ change any allocation of capital made pursuant to section 53.03 or to reduce or withdraw in any way any portion of the contributed capital and appropriated reserves without prior written approval of the commissioner of banks; or

(7) ~~To~~ take any instrument in which blanks are left to be filled in after execution.

Sec. 25. Minnesota Statutes 1982, section 53.06, is amended to read:

53.06 DIRECTORS, RESIDENCE.

At least three-fourths of the directors of any industrial loan and thrift company ~~shall~~ must be residents of the county in which the industrial loan and thrift company maintains its principal place of business, an adjacent county or any county in which the industrial loan and thrift company maintains a place of business pursuant to this chapter. ~~Each director shall own and hold shares of common stock of the industrial loan and thrift company, unencumbered, with a par value of not less than \$500.~~

Sec. 26. Minnesota Statutes 1982, section 56.001, subdivision 3, is amended to read:

Subd. 3. **APPLICABLE CHARGE.** "Applicable charge" means the amount of interest attributable to each monthly installment period of the loan contract. The applicable charge is computed as if each installment period were one month and any charge for extending the first installment period beyond one month, or reduction in charge for a first installment less than one month, is ignored. The applicable charge for any installment period is that which would have been made for the period had the loan been made on an interest-bearing basis at the single annual percentage rate permitted by section 56.131, subdivision 1, based upon the assumption that all payments were made according to schedule. For convenience in computation, the licensee may round the single annual rate to the nearest one quarter of one percent.

Sec. 27. Minnesota Statutes 1982, section 56.131, subdivision 1, is amended to read:

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Subdivision 1. **INTEREST RATES AND CHARGES.** (a) On any loan in the principal amount of \$35,000 or less, a licensee may contract for and receive interest, calculated according to the actuarial method, not exceeding the equivalent of the greater of any of the following:

(1) the total of: (i) 33 percent per year on that part of the unpaid balance of the principal amount not exceeding \$350; and (ii) 19 percent per year on that part of the unpaid balance of the principal amount exceeding \$350; or

(2) 21.75 percent per year on the unpaid balance of the principal amount.

(b) On any loan where interest has been calculated according to the method provided for in paragraph (a), clause (1), interest ~~shall~~ must be contracted for and earned as provided in that provision or at the single annual percentage rate computed to the nearest one hundredth of one percent that would earn the same total interest at maturity of the contract as would be earned by the application of the graduated rates provided in paragraph (a), clause (1), when the debt is paid according to the agreed terms and the calculations are made according to the actuarial method.

(c) Loans may be interest-bearing or precomputed.

(d) To compute time on interest-bearing and precomputed loans, including, but not limited to the calculation of interest, a day ~~shall be~~ is considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year ~~shall be~~ is 12 calendar months. A calendar month ~~shall be~~ is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month.

(e) With respect to interest-bearing loans:

(1) Interest ~~shall~~ must be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment ~~shall~~ must be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance.

(2) Interest ~~shall~~ must not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the new loan contract may include any unpaid interest which has accrued. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in paragraph (f), clause (3). The resulting loan contract ~~shall be~~ is deemed a new and separate loan transaction for all purposes.

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(f) With respect to precomputed loans:

(1) Loans ~~shall~~ must be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be ~~longer~~ more or less than one month by not more than 15 days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days and must be reduced by the amount of interest for the number of days less than one month to the first installment payment; and ~~provided further that~~ monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until the loan is fully paid. Payments ~~shall~~ must be applied in the order in which they become due.

(3) When any loan contract is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date, a licensee shall refund or credit the borrower with the total of the applicable charges for all fully unexpired installment periods, as originally scheduled or as deferred, which follow the day of prepayment; if the prepayment is made other than on a scheduled payment date, the nearest scheduled installment payment date ~~shall~~ must be used in the computation; provided further, if the prepayment occurs prior to the first installment due date, the licensee may retain 1/30 of the applicable charge for a first installment period of one month for each day from the date of the loan to the date of prepayment, and shall refund or credit the borrower with the balance of the total interest contracted for. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgment is entered.

(4) If an installment, other than the final installment, is not paid in full within ten days of its scheduled due date, a licensee may contract for and receive a default charge not exceeding five percent of the amount of the installment, but not less than \$2.

(5) If the parties agree in writing, either in the loan contract or in a subsequent agreement, to a deferment of wholly unpaid installments, a licensee may grant a deferment and may collect a deferment charge as provided in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one-month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is

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earned pro rata during the deferment period and is fully earned on the last day of the deferment period. Should a loan be prepaid in full during a deferment period, the licensee shall make or credit to the borrower a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan in full.

(6) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the single annual percentage rate permitted by this subdivision may be charged on the unpaid balance until fully paid.

(7) Following the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under paragraph (f), clause (6), may charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the single annual percentage rate permitted by this subdivision until fully paid.

Sec. 28. Minnesota Statutes 1982, section 56.155, subdivision 1, is amended to read:

Subdivision 1. **AUTHORIZATION.** No licensee shall, directly or indirectly, sell or offer for sale any insurance in connection with any loan made under this chapter except as and to the extent authorized by this section. The sale of credit life and credit accident and health insurance ~~shall be~~ is subject to the provisions of chapter 62B, except that the term of the insurance may exceed 60 months if the term of the loan exceeds 60 months. Life, accident, and health insurance, or any of them, may be written upon or in connection with any loan but ~~shall~~ must not be required as additional security for the indebtedness. If the debtor chooses to procure credit life insurance or credit accident and health insurance as security for the indebtedness, he shall have the option of furnishing this security through existing policies of insurance owned or controlled by him or of furnishing the coverage through any insurer authorized to transact business in this state. A statement in substantially the following form must be made orally and provided in writing in bold face type of a minimum size of 12 points ~~shall be provided~~ to the borrower before the transaction is completed for each credit life and accident and health insurance coverage sold:

CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE ARE NOT REQUIRED TO OBTAIN CREDIT. YOU MAY BUY ANY INSURANCE FROM ANYONE YOU CHOOSE OR YOU MAY USE EXISTING INSURANCE. THE CREDIT LIFE INSURANCE AND CREDIT DISABILITY INSURANCE AVAILABLE THROUGH THIS LENDER HAD AN ACTUAL LOSS RATIO DURING THE CALENDAR YEAR LAST REPORTED TO THE DEPARTMENT OF COMMERCE OF PERCENT.

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~~THIS MEANS THAT, ON THE AVERAGE, \$..... OF EVERY \$100 IN PREMIUMS PAID TO THE INSURANCE COMPANY WERE RETURNED AS BENEFITS TO POLICYHOLDERS DURING THAT YEAR.~~

The licensee shall have 30 days after the insurance company submits its report of losses to the department of commerce for the previous calendar year to change its disclosure to reflect the current loss ratio.

The licensee shall disclose whether or not the benefits shall commence as of the first day of disability and shall further disclose the number of days that an insured obligor must be disabled, as defined in the policy, before benefits, whether retroactive or nonretroactive, shall commence. In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit accident and health benefits shall may be procured by or through a licensee upon more than one of the obligors. In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit life insurance shall may be procured by or through a licensee upon more than two of the obligors in which case they shall be insured jointly. The premium or identifiable charge for the insurance shall must not exceed that filed by the insurer with the insurance division of the department of commerce. The charge, computed at the time the loan is made for a period not to exceed the full term of the loan contract on an amount not to exceed the total amount required to pay principal and charges, may be deducted from the proceeds or may be included as part of the principal of any loan. If a borrower procures insurance by or through a licensee, the statement required by section 56.14 shall must disclose the cost to the borrower and the type of insurance, and the licensee shall cause to be delivered to the borrower a copy of the policy, certificate, or other evidence thereof, within a reasonable time. No licensee shall decline new or existing insurance which meets the standards set out in this section nor prevent any obligor from obtaining such this insurance coverage from other sources. Notwithstanding any other provision of this chapter, any gain or advantage to the licensee or to any employee, affiliate, or associate of the licensee from such this insurance or the sale or provision thereof shall not be deemed to be is not an additional or further charges charge in connection with the loan; nor shall are any of the provisions pertaining to insurance contained in this section be deemed prohibited by any other provision of this chapter.

Sec. 29. Minnesota Statutes 1982, section 168.72, subdivision 1, is amended to read:

Subdivision 1. (a) The time price differential authorized by sections 168.66 to 168.77 in a retail installment sale shall may not exceed the following rates:

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Class 1. Any motor vehicle designated by the manufacturer by a year model of the same or not more than one year prior to the year in which the sale is made - \$8 per \$100 per year.

Class 2. Any motor vehicle designated by the manufacturer by a year model of two or three years prior to the year in which the sale is made - \$11 per \$100 per year.

Class 3. Any motor vehicle not in Class 1 or Class 2 - \$13 per \$100 per year plus a flat charge of \$3 for each retail installment sale.

(b) The time price differential ~~shall~~ must be computed on the principal balance as determined under section 168.71, clause (b) and ~~shall~~ must be computed at the rate indicated on contracts payable in successive monthly installment payments substantially equal in amount extending for a period of one year. For purposes of this subdivision and section 168.73, contracts payable in successive monthly installment payments include those where the first installment is scheduled for not less than 15 days nor more than one month and 15 days from the date of the contract. On contracts providing for installment payments extending for a period less than or greater than one year, the time price differential ~~shall~~ must be computed proportionately.

(c) When a retail installment contract provides for unequal or irregular installment payments, the time price differential is at the effective rate provided in clause (a) hereof, having due regard for the irregular schedule of payment.

(d) The time price differential is inclusive of all charges incident to investigating and making the contract, and for the extension of the credit provided for in the contract and no fee, commission, expense or other charge whatsoever ~~shall~~ may be taken, received, reserved or contracted for except as provided in sections 168.66 to 168.77.

Sec. 30. Minnesota Statutes 1982, section 300.025, is amended to read:
300.025 **ORGANIZATION, CERTIFICATE.**

Any three or more persons may form a corporation for any of the purposes specified in section 47.12 by applying to the department of commerce and complying with the all applicable organizational requirements and the conditions hereinafter prescribed; provided however, no corporation shall may be formed under this section which might be formed under the Minnesota business corporation act. They shall The incorporators must subscribe and acknowledge a certificate specifying:

(1) The name, the general nature of its business, and the principal place of ~~transacting the same business.~~ The name ~~shall~~ must distinguish it from all other corporations, domestic or foreign, authorized to do business in this state, and shall contain the word "company," "corporation," "bank," "association," or "incorporated."

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(2) The period of its duration, if limited.

(3) The names and places of residence of the incorporators.

(4) In what board its management ~~shall~~ will be vested, the date of the annual meeting at which it ~~shall~~ will be elected, and the names and addresses of those composing the board until the first election, a majority of whom shall always be residents of this state.

(5) The amount of capital stock, if any, how ~~the same~~ it is to be paid in, the number of shares into which it is to be divided, and the par value of each share; and, if there is to be more than one class, a description and the terms of issue of each, and the method of voting thereon.

(6) The highest amount of indebtedness or liability to which the corporation ~~shall~~ will at any time be subject.

It may contain any other lawful provision defining and regulating the powers and business of the corporation, its officers, directors, trustees, members, and stockholders ~~provided that~~. However, corporations subject to provisions of ~~section sections~~ sections 48.27 and 51A.22, subdivision 2, may show their highest amount of indebtedness to be 30 times the amount of its capital and actual surplus.

Sec. 31. Minnesota Statutes 1982, section 300.20, is amended to read:

300.20 BOARD OF DIRECTORS, ELECTION; VACANCY, HOW FILLED.

The business of every ~~such~~ the corporation, ~~except savings banks~~, shall must be managed by a board of at least three directors, ~~unless a greater number is otherwise required by law~~, elected by ballot by ~~and from~~ the stockholders or members. Any board of directors of a financial institution referred to in section 47.12 which has less than five members may be increased to not more than five members by order of the commissioner of banks. ~~When~~ If the certificate of incorporation or the bylaws so provides, a vacancy in the board of directors may be filled by the remaining directors. Not more than one-third of the members of the board may be so filled in any one year. The business of ~~a savings banks~~ shall bank must be managed by a board of at least seven trustees, residents of this state, each of whom, before being authorized to act, shall file a written acceptance of the trust. A majority of the directors or trustees ~~shall~~ constitute a quorum for the transaction of business. Any action which might be taken at a meeting of the board of directors, trustees, or managers may be taken without a meeting if done in writing signed by all of the directors, trustees, or managers.

Sec. 32. **EFFECTIVE DATE.**

Sections 1 to 31 are effective the day following final enactment.

Approved June 1, 1983

Changes or additions are indicated by underline, deletions by ~~strikeout~~.