

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By J.D. Lynch, Chair, on January 7, 1993, at
10:00 a.m.

ROLL CALL

Members Present:

Sen. J.D. Lynch, Chair (D)
Sen. Chris Christiaens, Vice Chair (D)
Sen. Betty Bruski-Maus (D)
Sen. Delwyn Gage (R)
Sen. Tom Hager (R)
Sen. Ed Kennedy (D)
Sen. Terry Klampe (D)
Sen. Francis Koehnke (D)
Sen. Kenneth Mesaros (R)
Sen. Doc Rea (D)
Sen. Daryl Toews (R)
Sen. Bill Wilson (D)

Members Excused: Senator Ethel Harding (R)

Members Absent: None.

Staff Present: Bart Campbell, Legislative Council
Kristie Wolter, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: SB 11, SB 21
Executive Action: SB 11, SB 21

HEARING ON SB 11

Opening Statement by Sponsor:

Senator Towe presented SB 11, which is a bill on usury stating the current usury laws in the state of Montana haven't been modified since 1985. Usury laws prohibit too high of an interest rate in lending institutions. Most lending institutions have managed to forego the usury laws because of certain loopholes and permits which they can acquire. Usury laws still affect private and personal lenders whose loans have a much higher risk factor than the loans by lending institutions. The current usury rate

is 6% above the New York prime rate, and the current New York prime rate is 6%, which sets the maximum rate for private lending at 12%. Senator Towe proposes that a 15% usury rate be set as a floor. This rate will not affect the lending institutions' rates but will help the private investor get a higher return on his money when the prime rate is low.

Proponents' Testimony:

John Cadby, Representative of the Montana Banker Association, rises in support of this bill stating the floor will give a higher reward for a higher risk taken by the private investor.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Senator Lynch addressed Senator Towe and asked if the 25.9% interest rate on checks sent to him courtesy of Norwest Financial fell under the usury law. Senator Towe answered that Norwest was exempt because they were a lending institution and not a private lender. Mr. Cadby added that the borrower has the right to shop for the best rates in the loan market, and that the loan market is a free market.

Senator Klampe asked Senator Towe if there was any way of increasing the usury rate and leaving out the floor. Senator Towe stated that it was a possibility. He gave an example of a 12% usury rate. At the current prime rate of 6%, the interest rate for a private lender would be 18%, which is a good return. But in the case where the prime rate goes up to 18%, the usury rate could go up to 30%, which is a little outrageous. He recommended, again, the floor of 15% or he would be willing to go up to 18% adding that 15% is conservative.

Senator Gage addressed Senator Towe and asked which governmental entity enforces the usury rate. Senator Towe answered there was no state agency, and that the law was only enforceable in a court of law.

Senator Hager asked Mr. Cadby why the state usury law isn't tied to the federal usury law. Mr. Cadby responded the usury law is a state statute.

Closing by Sponsor:

Senator Towe closed on SB 11 by stating so.

HEARING ON SB 21

Opening Statement by Sponsor:

Senator Towe stated SB 21 deals with consumer loan law and is devised for companies with loans under \$2,500.00 with high interest rates. He asks that the bill be amended because of the confusing language of the bill. The only people who would need to comply with SB 21 are personal lenders who want to get a higher rate than the usury law allows. He supplied amendments (Exhibit #1) and urged the Committee's support of SB 21.

Proponents' Testimony:

Bob Pyfer, Montana Credit Unions League, came forth in support of SB 21.

Roger Tippy, Montana Independent Bankers, strongly urged that the Committee pass SB 21 and expressed his support.

Opponents' Testimony:

None.

Closing by Sponsor:

Senator Towe respectfully closed on SB 21.

EXECUTIVE ACTION ON SB 16

Motion/Vote:

Senator Kennedy moved SB 16 be TABLED. Motion to table SB 16 CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 21

Motion/Vote:

Senator Christiaens moved to AMEND SB 21. Motion to amend SB 21 CARRIED UNANIMOUSLY.

Motion/Vote:

Chair Lynch motioned SB 21 DO PASS AS AMENDED. Motion CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 11

Discussion:

Senator Klampe asked Mr. Cadby about interest rates floating and how that would effect the floor of 15% on personal loans. Mr. Cadby answered that it would give a good rate of return on personal loans that, under the current usury law, could possibly be very low rates of return.

Senator Toews added that interest rates need to float on both the high end and the low end and that he wasn't sure if the 15% floor was necessary.

Senator Lynch responded to Senator Toews statement by saying that the floor would give personal lenders a fair interest rate for the risk of their investment.

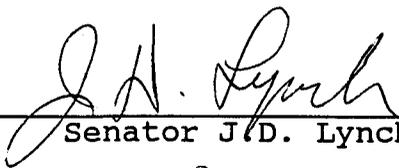
Senator Klampe asked if there was any way that the committee could legislate so that the law didn't have to change so often.

Motion/Vote:

Senator Christiaens moved SB 11 DO PASS. Motion CARRIED on Roll Call Vote with eight senators voting YES; four senator voting NO.

ADJOURNMENT

Adjournment: 10:55 a.m.



Senator J.D. Lynch, Chair



Kristie Wolter, Secretary

JDL/klw

ROLL CALL

SENATE COMMITTEE Business & Industry DATE 1/7/93

NAME	PRESENT	ABSENT	EXCUSED
Senator Lynch	/		
Senator Christaens	/		
Senator Bruski-Maus	/		
Senator Gage	/		
Senator Hager	/		
Senator Harding		/	
Senator Kennedy	/		
Senator Klampe	/		
Senator Koehnke	/		
Senator Mesaros	/		
Senator Rea	/		
Senator Toews	/		
Senator Wilson	/		

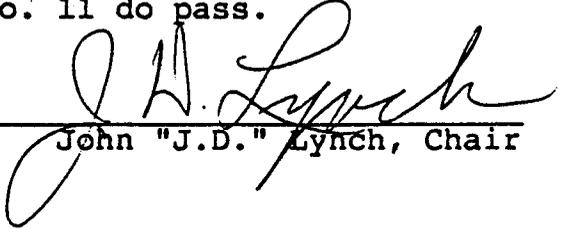
SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 7, 1993

MR. PRESIDENT:

We, your committee on-Business and Industry having had under consideration Senate Bill No. 11 (first reading copy -- white), respectfully report that Senate Bill No. 11 do pass.

Signed: _____


John "J.D." Lynch, Chair

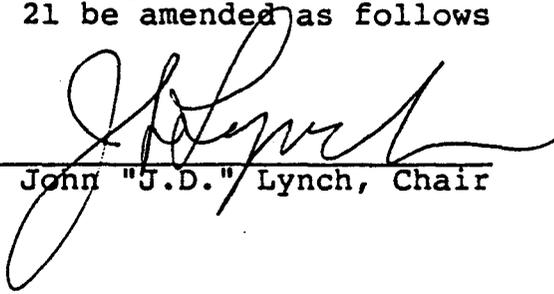
SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 7, 1993

MR. PRESIDENT:

We, your committee on-Business and Industry having had under consideration Senate Bill No. 21 (first reading copy -- white), respectfully report that Senate Bill No. 21 be amended as follows and as so amended do pass.

Signed: _____


John "J.D." Lynch, Chair

That such amendments read:

1. Page 2, line 21.

Following: "31-1-112"

Insert: "as a consumer loan licensee"

2. Page 2, line 22.

Following: "A"

Insert: "regulated lender as defined in 31-1-111, other than a consumer loan licensee, or a"

-END-

Amendments to Senate Bill No. 21
First Reading Copy

Requested by Senator Towe
For the Committee on Business and Industry

Prepared by Bart Campbell
January 7, 1993

1. Page 2, line 21.

Following: "31-1-112"

Insert: "as a consumer loan licensee"

2. Page 2, line 22.

Following: "A"

Insert: "regulated lender as defined in 31-1-111, other than a
consumer loan licensee, or a"

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 1/7/93
BILL NO. SB 21

DATE Jan. 7, 1993

SENATE COMMITTEE ON SB Business & Industry

BILLS BEING HEARD TODAY: SB 11, SB 21

Name	Representing	Bill No.	Check One	
			Support	Oppose
Roger Tippy	Mont. Indep. Bankers	21		<input checked="" type="checkbox"/>
JOE THARES	" " "	21		
GEORGE BENNETT	MONTANA BKRS	21		
Bob Pyfer	MT Credit Unions League	21		
JOHN EADBY	MT BANKERS ASSN	21		<input checked="" type="checkbox"/>
" "	" " "	11		<input checked="" type="checkbox"/>
ANNIE BARTOS	D. O. C.			
Donald W. Hutchinson	D. O. C. FINANCIAL DIVISION			
Jenna T. Loendorf	NAT Consumer Finance Assn	21		<input checked="" type="checkbox"/>
TAL REDPATH	STATE AUDITOR'S OFFICE	11		NEUTRAL
"	"	21		NEUTRAL
Kathy McLaughlin	see Newspapers			

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY