

STANDING COMMITTEE REPORT

February 11

77

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MR. President

We, your committee on **Business and Industry**

having had under consideration **SENATE** Bill No. **287**

Respectfully report as follows: That **SENATE** Bill No. **287**

introduced bill, be amended as follows:

1. Amend title, line 7.

Following: "WAIVE THE"

Strike: "1-YEAR"

2. Amend page 2, section 1, line 12.

Following: "waive the"

Strike: "1-year"

AND AS SO AMENDED, DO PASS

DO PASS

40

TESTIMONY OF JOHN T. CADBY, EXECUTIVE VICE PRESIDENT OF THE MONTANA BANKERS ASSOCIATION ON S 205 BEFORE SENATE BUSINESS AND INDUSTRY COMMITTEE ON FEBRUARY 10, 1977

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Escrow accounts are a benefit to all parties affected by them and of particular benefit to low-income home owners. Lenders are assured that insurance and taxes are paid, mortgagors are relieved of tax and insurance calculations and payment, and governmental and insurance agencies are paid one lump sum with a good check for thousands of home owners. Escrow accounts are also an aid to low-income earners and veterans because tax and insurance escrow accounts are required before the Federal Housing Administration or Veterans Administration will guarantee a loan.

So, lending institutions don't establish escrow accounts solely for their benefit. Actually they could protect themselves by right of foreclosure in the event of default. This, however, jeopardizes home ownership and subjects the homeowner to undesirable economic pressure. Unpaid taxes in the 30's and subsequent foreclosures led to the federal government's requirement of escrow accounts. We assume the state Housing Authority will also require escrow accounts.

The Veterans Administration conducted a survey of borrowers to collect information on preferences for escrow accounts when they don't pay interest. The results of the survey showed "an overwhelming majority (83.6%) of those responding were in favor of the escrow arrangement. A small minority (6.2%) expressed no preference, and some (10.2%) indicated they would prefer making payments themselves."

According to a study done by the General Accounting Office that dealt with the advantages of escrow accounts to taxing agencies, officials felt the major advantages were that escrow accounts "enabled taxing authorities to bill and collect property taxes quicker and more economically...greatly reduced the

STATEMENT OF THE MONTANA SAVINGS AND LOAN LEAGUE
IN OPPOSITION TO SENATE BILL 205

I am Ernest A. Sandberg, President of the Montana Savings and Loan League. The League appears here in opposition to SB 205 for the reasons heretofore given in the statement of the Montana Bankers Association.

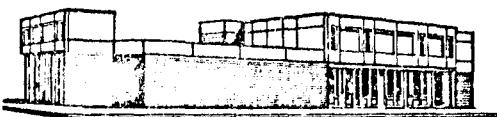
In addition, the U. S. Savings and Loan League has made a study of the economics of escrow accounts and found the average service cost to be \$6.02. The study concludes that, "It can be demonstrated that the entire escrow function at savings and loan associations does not earn nearly enough to cover the costs of administration. Large accounts may earn an excess, but small accounts are carried at a loss. This points up an important property of escrow operation: the system is similar to the progressive tax in that the large accounts carry the smaller accounts in the income-cost equation."

Our customers, we believe, appreciate the convenience of being relieved of making tax and insurance payments and prefer making payments into an insurance and tax reserve account because it is the most convenient method available for making tax and insurance payments. Moreover, they also like the security of knowing that their taxes are paid on time, thereby avoiding penalties and that their home insurance will not be allowed to lapse. We know also that county treasurers depend heavily upon the financial institutions to handle property tax payments for the vast majority of homeowners, thereby relieving the treasurers of a substantial burden.

It is in no one's interest that these services be discontinued. For these reasons we believe SB 205 is not in the interest of the consumer. We urge the committee to recommend that this bill do not pass.

SAVINGS & LOAN

Exhibit # 3



February 9, 1977

MR FRANK HAZELBAKER, CHAIRMAN
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE
HELENA, MONTANA 59601

Re: S B 205

Dear Mr. Hazelbaker:

The First Federal Savings and Loan Association of Great Falls pays taxes for almost 4,000 borrowers in 24 counties in Montana. More than 1,000 hours of time is devoted exclusively for this purpose each year. In addition, we employ a computer center to store legal descriptions for us and constantly update them for new and paid off loans. FHA and VA mortgages require that we provide this service and over 2,500 of our loans fall into that category.

A bill is now being considered in the Senate whereby interest would have to be paid on funds being held by lending institutions for payment of the taxes. A study by the United States Savings and Loan League, showed that most lending institutions could not afford to pay interest because of the work involved and would have to discontinue this service except as required by law or regulations. I certainly request that the proposed bill not be passed and for your information, am attaching a list of the counties in which we paid taxes in 1976 and have shown the number of loans involved and the dollar volume.

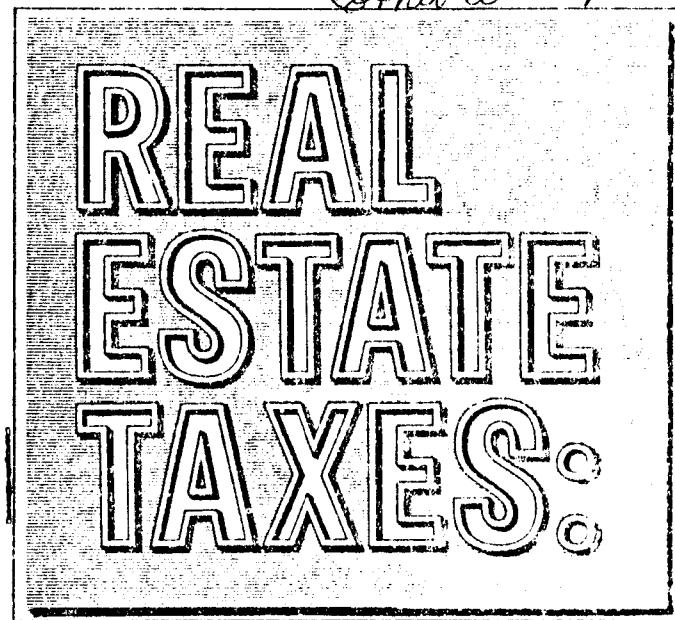
I am sure you will agree that the service we provide to our borrower as well as to the county treasurers is tremendous and that the work involved by us more than compensates for not paying interest on the funds. Your consideration will be appreciated.

Sincerely yours,

Don Ninneman
Vice President

DN/1w

Exhibit #4



**can we afford
NOT to pay as we go?**

*By Norman Strunk
Executive Vice President
United States Savings and Loan League*

Ken Clark - SB 172
Exhibit # 5

Line No.	Montana Light - Density Rail Segment	Rail Miles (1)	Grain Elevators (2)	Stations (3)
<u>BURLINGTON NORTHERN, INC.:</u>				
1.	Bainville to Opheim -- Segment No. B-1 --	146.8	25	18
2.	Sidney to Richey -- Segment No. B-2 --	49.4	5	4
3.	Glendive to Brockway -- Segment No. B-3 --	63.7	4	7
4.	Snowden to Glendive -- Segment No. B-4 --	79.8	2	10
5.	Beach, N.D. to Carlyle -- Segment No. B-5 --	7.4	1	1
6.	Glasgow to A.F.B. -- Segment No. B-6 --	18.8	-	1
7.	Brazil Creek Spur -- Segment No. B-7 --	22.8	-	-
8.	Saco to Hogeland -- Segment No. B-8 --	78.8	2	7
9.	Colstrip to Cow Creek -- Segment No. B-9 --	4.4	-	1
10.	Mossmain to Rapelje -- Segment No. B-10 --	37.7	3	4
11.	Silesia to Red Lodge -- Segment No. B-11 --	34.5	2	7
12.	Moccasin to Lewistown -- Segment No. B-12 --	30.8	-	4
13.	Mission to Wilsall -- Segment No. B-13 --	22.7	2	4
14.	Manhattan to Anceney -- Segment No. B-14 --	15.1	-	4
15.	Sappington to Harrison -- Segment No. B-15 --	10.0	1	1
16.	Whitehall to Alder -- Segment No. B-16 --	45.3	-	6
17.	Helena to Basin -- Segment No. B-17 --	42.1	-	10
18.	Vaughn to Augusta -- Segment No. B-18 -- ^{1/}	41.6	-	6
19.	Power to Pendroy -- Segment No. B-19 --	51.3	5	9
20.	Valier to Conrad -- Segment No. B-20 --	20.0	4	4
21.	Stryker to Eureka -- Segment No. B-21 --	22.3	-	4
22.	Columbia Falls to Somers -- Segment No. B-22 --	24.9	2	4
23.	Missoula to Darby -- Segment No. B-23 --	65.2	3	16
24.	<u>SUB-TOTAL -- B.N. INC.:</u>	935.4	61	132
<u>MILWAUKEE ROAD:</u>				
25.	Lewistown to Winifred -- Segment No. M-24 --	44.2	3	6
26.	Lewistown to Heath -- Segment No. M-25 --	10.5	-	1
27.	Three Forks to Bozeman -- Segment No. M-26 --	38.4	-	6
28.	Agawam to Great Falls -- Segment No. M-27 --	65.7	5	6
29.	Bonner Jct. to Bear Creek -- Segment No. M-28 --	35.8	-	7
30.	<u>SUB-TOTAL -- MILW R.R.:</u>	194.6	8	26
<u>SOOLINE RAILROAD:</u>				
31.	Westby to Whitetail -- Segment No. S-29 --	56.9	5	7
<u>MONTANA TOTALS -- ALL SEGMENTS:</u>				
		1,186.9	74	165
<u>PER-CENT OF STATE TOTALS: ^{2/}</u>				
		20.6%	27.2%	22.4%

^{1/} Abandonment Pending Before Interstate Commerce Commission.

^{2/} Total Mileage B.N. 4,395; MILW 1m310; SOOLINE 56.9; Total Elevators 272; Total Rail Points 735.

Sunbury
Exhibit # 6

ABANDONMENTS, ETC., COMPLETED WITHIN LAST TWO YEARS

(1) WESTERN CLAY SPUR (Helena) -- Removal of
Application filed March 3, 1975
Approved - April 21, 1975

(2) TRI-CARE HEALTH CENTRES SPUR (Missoula) - remove approx. 345.5 feet
Application filed August 11, 1975
Letter written August 28, 1975, to PSC from W. A. Shanahan
that after reading provisions of RCM, 1947, Sec. 72-159,
petition was unnecessary.

OPHEIM -- Discontinuance of stockyards
Application filed September 9, 1974
Approved - April 4, 1975

POPLAR -- Discontinuance of stockyards
Application filed February 19, 1975
Approved - April 4, 1975

RIVERVIEW -- Discontinuance of stockyards
Application filed April 2, 1974
Approved, April 4, 1975

BAINVILLE -- Discontinuance of stockyards
Application filed January 30, 1975
Approved - April 4, 1975

(3) CONTINENTAL OIL SPUR (Butte) -- Removal of
Application filed March 3, 1975
Approved - May 5, 1975

PLENTYWOOD -- Abandon stockyards
Application filed June 4, 1974
Approved - May 5, 1975

DSA--KEVIN, DEVON SUNBURST & GALATA
Application filed September 14, 1973
Approved - April 16, 1975

KASKI SPUR -- Abandon stockyards

Approved - Jan. 6, 1976

Gordon McQueen
FEB 2 REC'D
Exhibit #7.

FACT SHEET - SENATE BILL 230

Similar bills to this one have been enacted in the following states:

California, Idaho, Nebraska, Nevada, Oregon, Washington, Wyoming, Iowa, Colorado; with a bill pending in the State of Missouri.

The bill benefits all taxpayers who through some difficulty, be it handicap or location in another state, must mail reports, tax returns and claims to the State of Montana. There are often times when these reports are lost in the mail or are late in arriving. The bill sets up a procedure whereby the taxpayer can establish the date of mailing and in addition, that thirty extra days will be allowed to re-file his notice after the State has advised him that the reports have been lost.

A perfect example of when such an incident could be helpful to both large, small and medium taxpayers was the 1975 robbery of a mail truck near Livingston, Montana. Had this robbery taken place close to the filing date of income taxes or property taxes, both large and small taxpayers would have been subject to the possibility of the penalty procedure. While it is not our position to portray the Department of Revenue as an ogre waiting to assess penalty, SENATE BILL 230 will clearly establish that the taxpayers should not be assessed a penalty. This bill, in some counties, particularly Cascade County, has been put into effect administratively. Gorham Swanberg will relate to you an incident where the tax payment of the Great Falls Tribune was either late or lost and the Tribune was subjected to a penalty situation. After much negotiation, the County decided not to assess the penalty against the Tribune. Such a law as the instant one would make it very clear that no taxpayer should be assessed a penalty if he has properly mailed his tax payment.