

HOUSE BUSINESS & INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on January 6, 1983, at 9:00 a.m. in Room 420 of the Capitol Building, Helena, Montana. All members were present except Jim Schultz who was excused.

Chairman Metcalf announced that House Bill 69 would be before the Committee January 14 at 8:00 a.m. in the Scott Hart Building, 303 N. Roberts.

HOUSE BILL 20

REP. JAY FABREGA, House District 44, sponsor, introduced Kenneth Neill, attorney for Fidelity Savings and Loan Association in Great Falls, Montana who drafted HB 20 for the Association.

PROPOSERS:

Kenneth Neill explained the difference between capital stock associations and mutual associations. This bill continues authorization of mutual associations but also provides for capital stock associations operating under the same basic regulations, he said. He added that this bill would give the opportunity for the association to make better profits and it could use the kind of capital infusion capital stock could give it. He closed by saying the system always works better when you have free enterprise and people put their money at risk.

JOHN BUCHANAN, President and Chairman of the Board of Fidelity Savings and Loan Association in Great Falls, Montana, said what he would like to do is stay abreast of the federal rules and regulations and at the same time have the backbone they need for their young organization to build their reserves up by people putting at risk the money to insure their depositors that they will have their money when they need it. They would like to stay a state organization. If we are allowed to convert, the stockholders will take the lump first and then the depositors, he said. Going to a capital stock corporation would solve problems and keep us in a competitive situation with our competitors.

REP. FABREGA: I think the bill itself and all the changes are to accommodate the language because of all the contradictions we had before where we consider the depositor to be a share-holder and stockholder. One question I asked some time ago was what happens when a savings and loan goes out of business? What happens to all of its assets? There doesn't seem to be a case where the depositors ever got more than the interest rate. Savings and loans actually have a contractual agreement with their depositors that they will pay a certain interest rate on passbooks. Personally, I volunteered to carry the bill because I believe that it makes sense as a way to get capitilization in and we want to at least keep the two savings and loans we have under state charter competitive with the federal organizations. I would urge you to pass the bill.

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OPPONENTS: none

QUESTIONS FROM THE COMMITTEE:

REP. ELLISON: What is the advantage of being a state chartered organization over being federal? MR. NEILL: Actually, we are comfortable being regulated at the state level and not messing around with the federal authorities. - MR. BUCHANAN: It has a certain amount of meaning to me personally to be state and not federally regulated. MR. ELLISON: You are large enough to be a federal organization? MR. BUCHANAN: Yes.

Rep. ELLISON: What would the difference in risk be between a savings and loan and a bank? - MR. NEIL: There isn't any difference; we are a ten million dollar institution which would be the same as a ten million dollar bank.

REP. METCALF: Are your depositors insured by FDIC? MR. BUCHANAN: No. We are insured by GTAC which insures for 150,000 per deposit, and we are insured by an insurance company of this state and by a huge, huge insurance company also.

REP. KITSELMAN: There is a slight difference between the auditing procedure of federal and state and could you elaborate on that a little bit? SHEILA BUCHANAN: We are examined once a year by the Dept. of Commerce. They also examine state banks. The federal associations are examined each year by the Federal Deposit Insurance Corporation.

REP. HANSEN: Is one of the reasons for this so that you can diversify, perhaps giving more home loans? - MR. BUCHANAN: Our primary function remains home lending.

REP. FAGG: When you switch to a stock corporation will you have a tax advantage? MR. BUCHANAN: There will be no difference.

REP. FAGG: How about profit? SHEILA BUCHANAN: We are already a corporation, so I think it won't be immediately affected.

REP. FAGG: How many savings and loans are there in the state?

MR. BUCHANAN: Two. REP. FAGG: Why isn't the other one here?

MR. BUCHANAN: They are FSLIC insured and they are considering changing to a stock corporation with a federal charter so I guess, in essence, we are going to be it.

EXECUTIVE SESSION

REP. FAGG moved HOUSE BILL 20 DO PASS. Rep. Metcalf said savings and loans need as much help as they can get. Rep. Ellison said they can go federal if they want to, and that we should try to keep them competitive. Motion carried by voice vote unanimously.

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The meeting adjourned at 9:45 a.m.



JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

STANDING COMMITTEE REPORT

JANUARY 6

83

19.....

SPEAKER

MR.

We, your committee on **BUSINESS & INDUSTRY**

having had under consideration **HOUSE** Bill No. **20**

~~xxxx~~ **first** reading (**white**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE LAWS RELATING TO BUILDING AND LOAN ASSOCIATIONS; AUTHORIZING THE FORMATION OF CAPITAL STOCK ASSOCIATIONS; PROVIDING FOR CONVERSION BETWEEN CAPITAL STOCK AND MUTUAL ASSOCIATIONS; AMENDING SECTIONS 32-2-101, 32-2-201, 32-2-205, 32-2-207 THROUGH 32-2-212, 32-2-221, 32-2-224, 32-2-231, 32-2-301, 32-2-309, 32-2-401, 32-2-404, 32-2-410, 32-2-416 THROUGH 32-2-418, 32-2-431, 32-2-432, 32-2-441, AND 32-2-501 THROUGH 32-2-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **20**

DO PASS

VISITORS' REGISTER

HOUSE

B + I

COMMITTEE

BILL 20

Date 1-6-83

SPONSOR

Fabrega

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME John Buchanan BILL No. 20
ADDRESS Great Falls DATE 1-6-83
WHOM DO YOU REPRESENT Fidelity Savings & Loan
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WITNESS STATEMENT

NAME Ken Nell BILL No. 20
ADDRESS Gt Falls DATE 1/6
WHOM DO YOU REPRESENT Fidelity S & L
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

SUMMARY OF HOUSE BILL 20 - INTRODUCED BY REP. FABREGA

This bill amends Montana's Building and Loan Association Law to allow creation and existence of both capital stock and mutual associations.

Under the present law, a building and loan association in Montana is mutually owned and operated to encourage home ownership and thrift among its members and making substantially all of its loans to them on real estate mortgage security. This bill continues authorization of mutual associations but also provides for capital stock associations operating under the same basic regulations. The distinguishing characteristic is the ability of a stock association to issue stock to acknowledge non-withdrawable contributions, a power lacked by a mutual association.

The bill does not change the operation of building and loan associations. Most of its 42 pages are devoted to conforming the MCA sections to coexistence of stock and mutual associations by inserting the required dual nomenclature.

Organization of new associations under this bill require subscription of a minimum of \$500,000 to savings accounts in a mutual association or to capital in a stock association. The bill also requires creation of an expense fund for a mutual association or of a surplus fund for a stock association. The bill also provides the mechanics for conversion of an association to the alternate form.

The bill would be effective immediately.