

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 4, 1983

The meeting of the Business and Industry Committee was called to order by Chairman Allen Kolstad on March 4, 1983, at 10:07 a.m., in Room 404, State Capitol.

ROLL CALL: All members were present with the exception of Senator Regan who was excused.

CONSIDERATION OF HOUSE BILL 339: An act to permit a consumer loan licensee to sell its business and assets to certain financial institutions not licensed under the Montana Consumer Loan Act.

In the absence of Representative Jay Fabrega, Senator Chris Christiaens stated consumer finance companies have been buying each other out. There were 130 now there are only 32 in the State. An owner wishing to sell his business today does not have any prospective buyers because of that. They have been losing money steadily. They are regulated and supervised by the Federal and State governments. There is great merit for the passage of this bill.

PROPOSERS TO HOUSE BILL 339: Jerry Loendorf representing Montana Consumer Financing Association, stated on page 1, line 20, there are provisions that banks, trust companies, etc., shall not be consumer loan licensees. That raises the question if they can buy the assets. There has been a decline in the number of consumer loan companies. They are now down to 28.

There were no further proposers and no opponents.
The hearing was closed on House Bill 339.

ACTION ON HOUSE BILL 339: Senator Dover made the motion that House Bill 339 Be Concurred In. Senator Lee seconded the motion.

The Committee voted unanimously, by voice vote, with the exception of Senator Regan who was excused, that HOUSE BILL 339 BE CONCURRED IN.

CONSIDERATION OF HOUSE BILL 338: An act to permit supplementary licensees under the Consumer Loan Act to make loans in any amount.

Senator Chris Christiaens presented this bill. He stated this was a companion bill to House Bill 339. This bill will remove the loan ceilings for Consumer Finance Companies. They are allowed to lend \$25,000 to a customer. Over the years the ceiling was \$1,000 and just about every session it has been necessary for the companies to get that ceiling raised. It seems \$25,000 is no longer an adequate figure because of home improvement loans, large truck loans, mobile home loans and undeveloped land loans. For this reason they are asking for the removal of the ceiling. The usury limits have been excluded now and other states do not have a loan ceiling on Consumer Finance Companies.

PROPOSERS TO HOUSE BILL 338: Jerry Loendorf representing Montana Consumer Financing Association, stated he has represented this group

since 1973. They have come in from time to time asking that the loan ceiling be increased. They are now asking for the removal of the ceiling because 1) there is no reason for having a ceiling 2) no other states have it and they have had it for a long time with no repercussions 3) whenever you have a ceiling you have to raise it and 4) when a lender wants more than \$25,000 and the Consumer Loan Company is the only one that will loan him the money, he often needs to go to two lenders. It serves no useful purpose.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Dover stated there are more things involved than just raising the capacity. On page 11 there must be some reason why they did not want anymore than that on insurance premiums. Mr. Loendorf stated no, supposing you are borrowing money, you want life insurance and you want to borrow the premium at the same time. The loan would include the amount advanced for the loan premiums.

Senator Dover stated on page 12, lines 8, 9, & 10, it states \$25,000 or less you are not supposed to advertise your services. Mr. Loendorf stated that he should read the entire section. You could not advertise unless you had a license. This is a prohibition against advertising or making loans of \$25,000 or less if you are not licensed. If you are licensed you can advertise that fact.

Senator Dover asked why don't you want that now? Mr. Loendorf stated there is no real difference now between a Consumer Loan Company and everyone else. The fact that you deregulated rates allows other financial institutions to enter into this area without any problems.

Senator Boylan asked is it true that you could buy a bank? Looks like it could work both ways. Mr. Loendorf stated no, a Consumer Loan Company could not buy out a bank. Bank holding companies buy both banks and consumer loan companies. We would not be looking for authority to buy out banks.

Senator Boylan stated he has problems of shuffling people around.

Senator Gage stated banks are restricted percentagewise to amounts of loans made to an individual. A Consumer Loan Company then could possibly have all their loans with one individual. Mr. Loendorf stated the banks are restricted to public funds. There is no restriction on risking your own money. The bank has restrictions on the amount of money they have to loan to any one person.

Senator Boylan stated at one point in time we set up these for a reason. He has some problems with it. He does not understand the financial institutions that much. He is wondering if they are taking some things away like accessibility of the people to get financing. Mr. Loendorf stated he does not think so. If banks turn a customer down they usually ask them to try the finance companies.

Senator Goodover stated it seems like we have had these every session. There has not been any repercussions.

The hearing was closed on House Bill 338.

ACTION ON HOUSE BILL 338: Senator Goodover made the motion that House Bill 338 Be Concurred In. Senator Lee seconded the motion.

The Committee voted unanimously, by voice vote, with the exception of Senator Regan who was excused that HOUSE BILL 338 BE CONCURRED IN.

CONSIDERATION OF HOUSE BILL 244: An act limiting the application of the rule of 78ths method of computing interest and refunds on prepayment to loans and retail installment contracts made for a time period of not more than 61 months; providing for refund or credit on prepayment on loans or contracts, exceeding 61 months; and providing an immediate effective date and an applicability clause.

Senator Chris Christiaens also presented this bill to the committee. He stated this bill has been requested primarily by the mobile home industry in which you can be purchasing a home for \$25 - \$30,000 or more. Under the rule of 78 there has been instances where with a credit life policy when a death has occurred under age 65, the consumer has ended up owing more than what they originally financed. This would also include consumer purchases from other states. The only time it causes a problem is with the larger loans and longer terms. There is a great need for this bill.

PROPOSERS TO HOUSE BILL 244: Ed Sheehy, Jr., Montana Manufactured Housing Association, stated we are here in support of this bill because if someone prepays a mobile home loan they are being penalized. We do not want to stop people from prepaying loans and by doing that we can sell more mobile homes.

Jerry Loendorf, representing Montana Consumer Financing Associations, stated they would support this bill. What has happened in the past as the prices of those articles went up if you extended those ten years or more and they wanted to pay off early they can end up owing more than what they originally started out with. It does not work when you talk about long term loans.

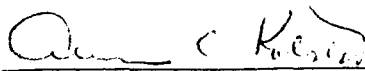
There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Fuller asked what does 78 mean? Dennis Green stated 78th is nothing more than a calculated factor of months. If you total 1 through 12 that totals up to 78.

ACTION ON HOUSE BILL 244: Senator Lee made the motion that House Bill 244 Be Concurred In. Senator Dover seconded the motion.

The Committee voted unanimously, by voice vote, with the exception of Senator Regan that HOUSE BILL 244 BE CONCURRED IN. Senator Christiaens will carry these three bills on the floor.

ADJOURN: There being no further business, the meeting adjourned at 10:30 a.m.


Dennis Green

STANDING COMMITTEE REPORT

March 4

19 83

MR. **PRESIDENT**

BUSINESS AND INDUSTRY

We, your committee on

having had under consideration **HOUSE** **244** Bill No.

FABREGA (CHRISTIAENS)

Respectfully report as follows: That **HOUSE** **244** Bill No.

BE CONCURRED IN

~~XXXXXX~~
~~DO PASS~~

STANDING COMMITTEE REPORT

March 4

1983

MR. **PRESIDENT**

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

having had under consideration **HOUSE** Bill No. **338**

FABREGA (CHRISTIAENS)

Respectfully report as follows: That **HOUSE** Bill No. **338**

BE CONCURRED IN

~~DO PASS~~

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STANDING COMMITTEE REPORT

March 4

19 83

MR. **PRESIDENT**

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

having had under consideration **HOUSE** Bill No. **339**

FABREGA (CHRISTIAENS)

Respectfully report as follows: That **HOUSE** Bill No. **339**

BE CONCURRED IN

~~XXXXXX~~
DO PASS

J/C

DATE _____

COMMITTEE ON BUSINESS & INDUSTRY

BUSINESS & INDUSTRY

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Joe H. Iwin	Montana Consumer Finance Assoc	338 339 244	X	
Doug W. De Haan	Beneficial Mgmt. Corp.	"	X	
PAUL S. BROOKS	"	"	X	
DENNIS L. GREEN	Budget FINANCE AND MONTANA Consumer Finance Assn.	338 339	X	
Jerry J. Anderson	Nat. Consumer Finance Assn.	338 339 244	✓	
Jim Hall	Household Finance Corp.	338 339 244	✓	
Ed Healy	Mt. Manufactured Housing Assn.	244	✓	

(Please leave prepared statement with Secretary)

(This sheet to be used by those testifying on a bill.)

NAME: Irena T. Leondorf DATE: 3-4-83

ADDRESS: Helena, Mt.

PHONE: 442-6350

REPRESENTING WHOM? Mt. Consumer Finance Ass'n

APPEARING ON WHICH PROPOSAL: H 339 , H 338 & H 244

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.