MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By REP. BOB BACHINI, CHAIRMAN, on February 14, 1991, at 7:15 a.m.

ROLL CALL

Members Present:

Bob Bachini, Chairman (D) Sheila Rice, Vice-Chair (D) Joe Barnett (R) Steve Benedict (R) Brent Cromley (D) Tim Dowell (D) Alvin Ellis, Jr. (R) Stella Jean Hansen (D) H.S. "Sonny" Hanson (R) Tom Kilpatrick (D) Dick Knox (R) Don Larson (D) Scott McCulloch (D) Bob Pavlovich (D) John Scott (D) Don Steppler (D) Rolph Tunby (R) Norm Wallin (R)

Staff Present: Paul Verdon, Legislative Council Jo Lahti, Committee Secretary

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

Announcements/Discussion: Executive action was to be taken on HB 438, HB 499, and HB 552. The Committee would hear HB 541, HB 590, and HB 258.

EXECUTIVE ACTION ON HOUSE BILL 438

Motion/Vote: REP. STEVE BENEDICT moved HB 438 Do Not Pass. He then moved the proposed amendments #043801 be adopted. REP. STELLA JEAN HANSEN made a substitute motion that HB 438 Do Pass. REP. PAVLOVICH made a substitute motion to Table HB 438.

Motion to Table HB 438 carried with REP. STELLA JEAN HANSEN VOTING NO. All other members except REP. WALLIN who was absent at the moment voted AYE.

EXECUTIVE ACTION ON HOUSE BILL 499

<u>Discussion</u>: REP. BACHINI reminded this was REP. WYATT's bill to exempt realtors who have been licensed for ten years or more from the continuing education program.

Motion/Vote: REP. STELLA JEAN HANSEN moved HB 499 be TABLED. Motion carried with all members voting AYE except REP. WALLIN who was not present and REPS. DOWELL AND BACHINI voting NO.

EXECUTIVE ACTION ON HOUSE BILL 552

Motion/Vote: REP. DON LARSON moved HB 552 Do Pass. Motion carried unanimously.

HEARING ON HOUSE BILL 590

Presentation and Opening Statement by Sponsor:

REP. JIM SOUTHWORTH, HD 86, Yellowstone County, Billings, sponsor said HB 590 is an act requiring insurers to obtain proof from insureds prior to issuing an insurance policy on a newly constructed building or building to be constructed that the insureds have obtained or applied for required construction permits. Proponents will explain in more detail.

Proponents' Testimony:

Ron Burke, Yellowstone County, supports HB 590 because it is a simple and economically feasible way for the state to ensure that their state laws and building codes are upheld. The enforcing inspectors have areas of more than 200 square miles to cover, and when a permit is not obtained the inspectors have to physically see they do not have permits. There are instances of people who are not making sure these buildings are up to codes, in turn get insurance, and if that building burns or is damaged otherwise because it was not built up to codes, the insurance company pays them the same as anyone else, and the people building to code requirements are having to bear the costs of the poorly built ones through raised insurance premiums. He is in favor of this bill.

Ron Pering, IBEW, said anyone wanting insurance on a building just has to ask to have it inspected. The intent of this bill is to require permits be obtained so inspectors can know when a new building is being erected and can inspect it properly. This will keep insurance costs down and not spread the load to those builders obtaining permits. This will just put some teeth into the codes.

Gene Fenderson, representing the Montana State Building Construction Trade Union, rose in support of HB 590. One of the things the construction industry is trying to pass this year is more self policing of rules and regulations that industry works under. Building permits are an important ingredient in the overall formula of the industry. One of the ways to help state government is through eliminating the cost of inspections, etc. which are only on new construction, is to be sure building permits have been issued on that property before they sell insurance. The insurance industry may talk about more paper work, more bureaucracy, etc., but in the long run this bill is good business for them, too. You have to remember what the building codes are about in Montana. They are a guarantee of the state that structures are safe. In the long run when construction is done right, it saves expense for all of our society, whether that be the city sewer system, city water system, or electrical power going into that facility. They believe this is a good bill and it should be given a do pass as written.

Christian Mackay, testified on behalf of Don Judge, representing Montana State AFL-CIO. He read a statement prepared by Don Judge. EXHIBIT 1. They support requiring proof that construction permits have been issued. Proper inspection would protect legitimate contractors against unfair competition from those underbidding contracts and using substandard building materials and hiring unskilled crafts people.

Other proponents are shown on the Visitor's Register.

Opponents' Testimony:

Don Chance, speaking on behalf of the Montana Building Industry Association, said they are opposed to HB 590. The Building Industry has historically strongly supported codes and codes enforcement, and would like to see state code enforcement statewide. There are no shortcuts to achieving standardized code enforcement. Building permits and building inspections is simply how the job has to be done. There is a great deal of logistical and papershuffling nightmare in the construction industry, and that is so with the insurance industry. The majority of construction in the state, while subject to codes, is done in noncode jurisdictions. Virtually none of the counties issue building permits, nor do they have building inspectors. The insurer would have to determine if the building was in a code or noncode jurisdiction on a case by case basis. In some cases the plumbing or electrical code would be involved and would vary widely depending on circumstances. In some cases only one permit would be involved, in other cases several, and in some cases, none would be involved. In every case the insurer and the insured would have to somehow prove to each other about the particular circumstances regarding the structure. A typical general contractor carries a variety of performance insurance. They carry a general construction liability policy purchased on an annual basis. That is not picked up on a job by job basis. The matter of obtaining insurance deals with obtaining construction insurance during construction process. The builder also carries a builders risk policy which is a property damage policy issued on a project by project basis.

This bill raises another question. What happens when an owner doesn't obtain the required permits? And it happens all the time. Does that mean he will be denied insurance on the structure? Does it mean that after it is constructed if he goes in and tries to obtain property insurance on it, the insurer is unable to issue a policy? How does he provide proof at that time that the completed structure complies with codes? There is a good chance that it doesn't. That is seen all the time when it is an owner built structure. The individual is going to be denied in the future to be able to get liability insurance on his own home or structure. This bill is unworkable from the construction industry's spectrum. They support codes and would like to see uniform code enforcement on a statewide basis, but trying to achieve that by putting a linkage on insurance policies is not the way to get the job done. They recommend a do not pass.

Jacqueline Terrell, spoke for the American Insurance Association, which is comprised of 200 some property and casualty insurers who are involved and would be affected by HB 590 if it were to pass. The preceding testimony laid out the problem very well. Insurance companies do not have the expertise, nor are they interested in being the enforcers of the state building code which is more properly enforced through inspection.

Roger McGlenn, Executive Director of the Independent Inaurance Agents Association of Montana, does not represent insurance companies, but they feel should HB 590 pass, the responsibility for gathering this data and providing it to the insurance companies would fall on the insurance agents, and they would have to do this on a reoccurring basis throughout the life of the policy, not just before new policies, but every time a contractor would begin a new project. This would place other agents in the state at risk for potential liability should something go wrong with some of the reports or these filings with local codes and statutes because they could not continually monitor the activities of all of these things. Because the insurance companies are not in this state, it would fall on the representatives of them who would be the agents, and this would be a very precarious position for insurance agents. They recommend a do not pass on HB 590.

Ron Ashabraner, State Farm Insurance Companies, opposes passage of HB 590 for all the reasons previously submitted. Their agents are not qualified to review permits. They do not want to be involved in reviewing building permits.

Gene Phillips, Kalispell, on behalf of the Alliance of American Insurers, a national association of independent insurers of property and casualty, opposes this bill for the reasons stated by the other opponents.

Questions From Committee Members:

REP. SCOTT asked if at the present time insurance agents inspect a new building site as to whether it is really in existence, or can a person buy insurance without an agent ever going to the site and seeing that this is actually a building site? Mr. McGlenn said insurance agents are not qualified as inspectors, but oftentimes in the underwriting process to place coverage on new construction, the agent is required to go out and take pictures and submit those to the insurance company.

REP. SCOTT asked if it is not already law that building permits have to be clearly posted on a building site. Mr. Kembel explained a lot of the local governments do require posting, the state does not. As far as electrical, it is required that a final seal be put on the meter of the electrical installation so that is posted, but the others are not posted.

REP. McCULLOCH asked how many permits would this involve? Mr. Kembel said at the state level building codes there are about 600, on electrical about 10,000, on plumbing about 1,000, mechanical about 300.

REP. LARSON asked his opinion of this bill? Mr. Kembel answered it is always an advantage to them to have enforcement aids. They are spread pretty thin, and cities would appreciate it, too.

REP. BENEDICT asked if he felt that the small local independent insurance agent is well enough acquainted with all the building codes to make sure that all the necessary permits are taken care of for both the state and local requirements. Mr. Kembel said it would be an educational process that would require some compromise on the part of the enforcement agency of having some sort of sign off sheet for that particular job where a sheet could show what permits were needed and if they were issued.

REP. HANSON said you are talking about your agency establishing a sign off sheet which would help you. How do you determine what is needed for a house that would be in a certain location? Mr. Kembel explained currently there is on the law books authority for the cities to go out 4-1/2 miles from the jurisdictions. That corresponds to the zoning powers of the jurisdictions. Billings, Bozeman, Missoula go out 4-1/2 miles. A number of others like Columbia Falls, Deer Lodge, Fort Benton, Miles City, and Whitefish go out one mile. Codes do not apply in areas past the jurisdiction extensions. The state cannot enforce building or mechanical codes, and in some cases plumbing codes, on single family and fourplexes built in areas outside of jurisdiction extensions, but they can apply the electrical codes to all facilities. They are having the problem of determining what applies and what doesn't. Their inspectors have to work through them.

REP. LARSON asked if a home is built by an owner who wants to cut costs, and sets himself up as a general contractor and hires a couple of builders, do those people have to have contractor's

insurance when they set themselves up as a contractor? Does the industry require any kind of criteria for getting contractor liability insurance? Mr. McGlenn explained when a private home owner who becomes their own contractor hiring people, they should consider contractor's liability, however, it is not necessary. There is underwriting criteria which underwriting companies demand prior to the placement of coverage. Oftentimes when a general contractor, you also are required to have surety bonds, financial statements, etc., which requires various proof. Oftentimes though because of this vast geographical state and small population persons buy their insurance from agents who may be 100 or more miles away, sometimes out of state, how can they stay knowledgeable about all these building permit requirements.

REP. LARSON asked when an application for a permit is requested by a owner-contractor, do you require that owner-contractor have contractor's insurance? Mr. Kembel said they do not.

REP. BACHINI asked if there is seen to be a risk that falls on the insurance agents as was stated by an opponent? Mr. Kembel was not sure. If they have the sign off paper from the state that the proper permits have been acquired, that would help relieve them of that liability.

REP. BACHINI asked if it was the intent of this bill to put the insurance agents at risk as was stated by the opponents? REP.

SOUTHWORTH answered that was not their intent. Mr. Ron Burke said it was not the intent to put any extra liability onto insurance companies. The intent is to let the inspectors do their job, to inspect the buildings. They are asking the insurance company before issuing a policy to look at one piece of paper, a signed inspected building permit that this building is up to building codes in the State of Montana. There is no extra paperwork involved. Insurance companies do not need to know the building codes whatsoever, that is not their job, that is the inspector's job. If you are a legitimate contractor, you get the signed permit, and if you don't do that the inspector has to physically see the construction going on. The insurance agents are not being put at risk.

REP. KNOX said there is concern about the potential liability to these people, and you are concerned about the additional expertise that would be required. Would that agent receive additional compensation for this extra time and liability? Mr. McGlenn explained Montana insurance law prohibits an insurance agent from charging a fee or receiving any other compensation other than commissions on sales of insurance policies unless you have a consultant's license. There are only about 15 persons in the state who hold consultant's licenses. You can charge a fee but you could not sell any insurance and collect a commission. He is concerned about professional liability. Since he does not understand either state or local building codes, he is concerned that even with the check off sheet, if for some reason one of those is revoked, how would the agent be supposed to know? If the

policy were delayed even though the construction continued because the agent had not got all the data required from state and local authorities and there was a loss, he feels assured that in a case of litigation the agent would be named in this as well because of lack of insurance or because of cancellation because it didn't meet the statute. These are his concerns about liability even though it says insurance companies. There are only two insurance companies that have branch offices in this state, and it is his opinion the companies will say the agents are responsible for this and responsible to make sure that these permits remain in good standing throughout the life of the policy. As was mentioned by the gentleman in the construction industry, they may have multiple jobs going all the time. This policy is a continuing policy unless canceled. If it were canceled he was frightened that the contractor may have a course of action against the agent because the agent didn't drive to Billings to make sure the job was right. Those are his concerns.

REP. KNOX asked given that type of situation, what is your opinion of HB 590? McGlenn said it is difficult to predict the availability, it may delay the process and additional underwriting for administrative steps prior to issuance of the policy. If it becomes truly a professional liability risk to the insurance company or the agent, then it could affect availability because to avoid that risk of keeping track of these codes, they don't make the product available. There would be a lot of confusion if this bill passes.

REP. McCULLOCH asked how many inspections are being talked about? Do you think the insurance agents will have to have any kind of expertise? Mr. Kembel said inspections will be on all structures except where they are unable to have building codes. They have electrical, plumbing, mechanical, and building permits. If they were to go to a signoff process the enforcement agents would be them or local governments sign off on authority and say they have these necessary permits. I don't see where they would need any expertise other than to be able to look at the list and the owner could submit that to the insurance company.

REP. ELLIS said you could always use more enforcement. In his county there is one agency in Red Lodge who serves a large part of the county. There are 8 communities, some of which are incorporated, and there are other insurance outfits in business out of the county, how are you going to work with all these agents so they know what kind of permits are necessary?

Mr. Kembel sees it as working if there were a list available of all the certified jurisdictions. If it is not on the list, then they would cover. There would have to be an understanding and educational process that an insurance agent would receive from the code enforcement jurisdiction; a sign off sheet with all of the applicable permits listed by that agency. It would then be the responsibility of the owner to deliver that to the insurance agent before getting his insurance.

REP. ELLIS asked if a good share of these outfits are now inspected or any portion of them to see that they get the necessary permits? Mr. Kembel said at the state level they can't do anything with a single family through fourplexes as far as mechanical and building inspections. It is possible they would do plumbing, but definitely would do electrical inspections. They do have enforcement problems with locating these buildings if they don't honestly come forth and get the permits. They have to find them somehow themselves. Their inspectors when on their other inspections are always watching for new construction. They may not catch them all, but that is what they attempt to do.

REP. ELLIS asked if a house was built without proper inspections it couldn't be insured? Mr. Kembel said as the law is drafted, you are required to have an electrical permit, and did not get it, there could be a problem.

REP. DOWELL had heard the insurance people talk about the real potential problems they could come up with. If you could look at the insurance people's side of this, and say what is it really creating with them? Mr. Burke answered the way he sees it, one piece of paper would have to be shown to the insurance company. An insurance agent would have to show them a signed sheet that the necessary permits had been obtained. You are creating liability when increasing the size of the home or business or whatever, and in that instance, they should have an additional permit for that. Without a permit and inspection, later on an electrician would never be able to tell if it is up to codes.

REP. STELLA JEAN HANSEN said the title of the bill says this would be a policy on a newly constructed building or one that is to be constructed. If I had an apartment house and decided to build a small improvement, I have to have a permit to be able to add that to my insurance? So I don't see where that would be a problem. Mr. McGlenn answered she was correct in what the title says. Contractors may have contractor's liability, may have bonds, they may have property insurance on their tools and equipment. They may have a broad range of insurance policies. It is true that they add new construction sites or in some cases purchase a separate policy for a construction site. However, he has also seen cases where under the contract for the construction, the insurance reponsibility for it not the liability, has fallen on the owner of the property. Every contract would have to be reviewed to see where the responsibility lies. But in Section 1, lines 11 and 12 of the bill 'an insurer may not issue a policy of insurance to an insured subject to 50-60-108', a policy of insurance could be any of these policies. REP. HANSEN asked if the words would have to be changed to apply to new construction. She couldn't see why you couldn't have those permits for that new building without affecting the other insured property. Mr. McGlenn said she may be right and maybe some amendments could be made to make it more palatable. The problem is that under the current language, if one of the contract sites is not under code or not done right, that

jeopardizes all the other policies. To expand on making insurance agents building inspectors for even one sheet of paper, he doesn't see why those agents should be police persons for the state on building codes.

REP. HANSEN said it would seem to her that it would make you build much better if you could exchange on line 4 the 'insurers' to 'insurees' to obtain proof and scratch 'from insureds'. Wouldn't that place your liability on the insuree rather than the insurer? Placing the responsibility for obtaining the permit on the insured. The title reads in reverse. REP. SOUTHWORTH said they would not be opposed to this.

REP. BACHINI asked the opinion of the insurance agent to make the responsibility be that of the insuree instead of the insurers?

Mr. McGlenn said he heard the language and he appreciated the thought. He would have to look at it in context.

REP. HANSEN appreciated his position. Real estate people are already taking responsibilities even though the responsibility is on the home owner.

REP. SCOTT said Roger McGlenn keeps referring to the instance where the agent would have to be building inspector. You just wanted to make sure the building inspectors had done their job or the people permit the building? Mr. McGlenn answered that is true. The insurance company is to take a look to see that there is proof the building permits have been issued and not to be a building inspector in any way.

REP. BENEDICT asked if that wouldn't put them in the position of being the enforcers of the building codes? Mr. Burke didn't feel that is so, he felt that is the inspector's job. As an example, an individual built a house on his ranch. He had not gotten an electrical permit on his house. The only way for that inspector to catch him would be to physically see the construction going on and when you have three hundred square miles to cover, there is a lot of this goes on even inside the towns that they do not see, and there is no inspection whatsoever. I am not after the insurance companies to do the inspection. That is already being done and the people are there to do it, this is just an aid and an insurance that the building codes in the state are upheld. That is what he is after.

REP. CROMLEY was not sure what piece of paper an insurance agent would be looking at. Mr. Burke said when you apply for an electrical permit or an inspection, they will post, by state law it should be posted on the building, a piece of paper 4x6. That is an approved inspection sheet and the state keeps those for many, many years; building codes are the same. There are about four copies and they are issued to the various departments. That is the piece of paper talked about. It is a signed inspection sheet. In the city limits there are building permits, codes that have to be upheld in certain areas. To get into the different

inspections and permits is quite extensive, but it is already in place, all of the inspection situation and the guidelines, rules, and the four miles, etc. An insurance agent would not have to know all of that. If there was a signed sheet showing permitting agencies, the same as an inspection sheet, the one that is to be posted on the building, that sheet would show the building codes for that area and the permits required. Mr. Ron Pering, explained in his experience there has been an orange 8-1/2x11 sheet of cardboard with several blanks for various inspecting agencies to fill in as they observe and inspect this construction process as it goes on. There are columns for the initial inspection, and columns for further and final inspections. The piece of paper is easy to see for however many inspectors there who are to sign off on it. It is not concerned with contractor liability in this insurance thing. There is a misunderstanding. Their concern is that the owner wants insurance after the building is completed, and if it wasn't built up to code, he had better do something about it.

REP. CROMLEY asked if they did a better job of enforcement, would this bill be needed? Mr. Pering answered if they could, probably not, but they are spread pretty thin. He is an associate member of the Inspectors Association of Montana, and they have tremendously large areas to cover. One man's area in northeastern Montana is 325 miles long and about 250 miles wide.

REP. KILPATRICK said a couple things bothered him. It was said a lot of times no permit is obtained and it will go through anyway. What happens? Can they get insurance? Why can't they get the permits? Mr. Fenderson explained you have to understand building inspection codes and building permits are basically statewide and then a city may incorporate their own, so there are a number of jurisdictions. Overall the State of Montana has that inspection responsibility. If the City of Helena wants to set up their own building inspection department, their own codes, as long as they meet the state codes, they can do so. Anybody building in the state that is putting in plumbing or electrical, no matter where it is located, all across the state you should be getting permits to do that work. If they are not, they are breaking the law. There are arguments why this cannot be done. When he deals with his insurance agent he is required to provide certain things. He requires a legal description of the property, other agents ask for a picture of the property. They require you to provide them with certain things. It is not that much different. If you are going to sell insurance in the State of Montana, you want to make sure it is safe. As the insurance agent, you ask for the building permits just like you ask for the land description or the building inspections. One more thing goes into their folder.

Closing by Sponsor:

REP. SOUTHWORTH appreciated the questions and the hearing, and asked for the Committee's best consideration on HB 590.

HEARING ON HOUSE BILL 541

Presentation and Opening Statement by Sponsor:

REP. MIKE KADAS, HD 55, Missoula, sponsor, said HB 541 is similar to a bill he brought before the Legislature last session, but is scaled down and the objectionable parts have been removed. It requires banks to report how they are giving out their loans so the community has some idea of how the banks in their location are loaning their money, and what areas they are not putting money into. It gives the community the ability to talk to those bankers. It doesn't give the community any ability to strong arm the bank. It allows the community to have the same knowledge as the bankers have about where loans are going in the community.

Section 1 adds a low-income member to the state banking board, someone who is affiliated with a low- or moderate-income organization. Page 6, line 1 (14) and lines 13-14 (18) define small business and very small business. Page 8, Section 6 will require banks to do something that in general they are doing already. It will require that information be disclosed about their housing, commercial, very small business loans, small business loans, agriculture and consumer loans on an aggregate amount. They do not have to disclose who they are giving the loans to, but have to disclose the dollar amount for the entire state. In (2) they have to disclose that information by census tract within that bank's service area. The key to the bill is to get that information by census tract so the different neighborhoods know how any particular bank in that community is treating that neighborhood. Testimony will show this is not always something that has been driven by the market. The banks will say they will loan based on the market demand. The evidence is pretty strongly against that. He represents a neighborhood where that has been the case. The neighborhood was receiving hardly any loans for homes, no mortgage loans because the neighborhood was, in the bank's eyes, kind of seedy and they didn't want to take the risk of lending money for mortgages in that neighborhood. There are many people who wanted to buy homes in that neighborhood and after one of the local community organizations was able to get that information out, they talked to the bank and pointed this out to the bank. The bank didn't really realize what it was doing. Because they thought negatively about that neighborhood, they didn't consider giving any loans there. After the community organization talked to them, the bank started making some effort to market their services in that particular neighborhood, and they started making money there. The bank appreciated the fact they could make money there. Now there is a good relationship built up between the community organization and the bank because of that whole process. This bill will provide the information for all communities about how their banks are treating their communities. That will help develop better relationships between banks and communities. There may be some rough times, so it essentially gives the community the tools to be able to go in and be able to hold a conversation

with the bankers in their community.

The micro-business loan bill would put \$3.5 million into the local lending markets. He thinks this bill is more important than that bill. That bill has a lot of sex appeal and looks pretty, and everyone is pretty happy with it. This bill is more important because this will affect a lot more dollars, it will have a much bigger impact in how money is lent and borrowed in the State. There is nothing mandatory in HB 590 about how money is to be lent or about who gets the money. It provides information to everybody involved. The more people know and have a sense of financial markets in our communities, will encourage better relationships and some synergistic affects will be seen on how the banks and communities work together. This is the vehicle for developing some trust. Banks don't like to have the government tell them how to do anything, but this is one of those cases where the trend nationally is in this direction. Many banks already have to provide this kind of information. Most banks already collect it and it is simply a matter of making it public. A Billings man knowledgeable in banking will explain further.

Proponents' Testimony:

REP. TIM WHALEN strongly supports HB 541. A few years ago the branch banking bill was passed which makes it much easier for banks to transfer deposits from one area where they collect those deposits and move them around and invest them in other locations. As a matter of public policy we ought to require those banks outside the urban areas to provide information available to those communities where they are relending out those deposits. They go hand in hand. A lot of them won't give out that information so those communities can be aware of what is happening. In his House District in Billings basically the large banks are red lining and not offering any kinds of loans to low income areas, including the southside where his house is located, and as a result of the federal act which requires this kind of information to be available, Montana Peoples Action was able to obtain the information, but that is what was happening. Montana Peoples Action was able to approach those banks and finally get them to establish their loan policy program that would make monies available for loans to those communities. We need to start doing that in rural areas.

Dennis McCord, co-chairperson for Montana Peoples Action statewide, handed out EXHIBIT 2 which has examples of some of the data they have collected from across the state. This bill is very, very good for Montana. Basically it asks the banks to disclose what they are doing. Since 1988 MPA has worked very closely with six different banks, four different bank holding companies to get \$40.5 million to loan to low- and moderate-income neighborhoods for home and business loans in Billings, Great Falls, and Missoula. They have also worked with some of the rural communities, like Lame Deer and other communities across Montana. They have begun talking with their banks and they are

trying to figure out what is good for poor communities. They are just trying to coordinate dialogue between communities and banks.

They understand what the Federal Act can and can't do. The federal law was designed for large states. Montana is small and has only two communities that fall under the Federal Reinvestment Act; that is Great Falls and Billings, and after the census data is released maybe Missoula. Three communities in Montana have to tell where their money comes from. There is a scarcity of capital in Montana. Montanans are very good credit risks, but there is no reason to invest in Montana communities when the banks can put their money into places like Seattle or Phoenix. That is where the jobs are. Montana is 43rd in the nation for loan equity ratio, which means that is the number of loans Montana banks make to Montanans vs the positive receipts from Montanans. The data being collected shows Montana is falling. Banks have been pulling \$185 million a year out of the lending market, and that has been the trend for over five years. It isn't fair to talk about only one year. Over a period of five or six years a trend is seen.

State government does not have to solve all of Montana's problems. He opposes large government; we should have smaller government. This bill will decentralize powers to counties and cities. They can affect their own future better if they have that information. This bill also puts a low-income representative on the state banking board, which may be the most controversial thing. The HRDC makes small business loans to low-income people, so banks won't do it. They hope then the bank will pick up those loans. The Women's World Bank guarantees loans to these people. There are incubators across the State who make loans to these people in the hopes the banks will pick up those loans. This will allow those organizations that are already basically doing banking functions that are not cost feasible to banks to work closely with banks to make sure the programs are designed well and work well with the banks.

It will divide the loan value into distinct categories. Currently there is a trend in western states that farm loans are increasingly to get. Farmers are going out of business. Montana is an agricultural state. They need help. It is necessary to find out what is going on and who is doing it. It will divide into business categories so they can find where all the business loans are, as well as housing and consumer loans. The banks already do this, and there are several whose names are in the handout. One article specifically addresses the banks in Billings. The First Bank Billings did not realize they were not loaning to the poorer communities in their area until it was brought to their attention. Their Vice President, Diane Osborn wrote a letter to Mr. McCord supporting HB 541 in EXHIBIT 2. Their standards are moving very close to what this bill says. An example of a Mortgage Loan Disclosure Statement is also in the packet. It breaks it into a census tract. He explained the charts and graphs in EXHIBIT 2. The First Bank Billings has been fluctuating, and the Northwest Bank has dramatically reduced their loans in

Montana. They know they should make more loans in Montana. This information is only available through the disclosure data. He explained a chart he had brought to the hearing. The Federal Reserve Board is made up of banks who know exactly what they want. The majority of banks in Billings already use this data and are willing to give this data to MPA at their request. some banks, for some reason, are unwilling to provide this data. In those communities there are lending problems where the information is not available. They currently have some asking the MPA to do a marking plan for the communities because their marking plans work.

Richard Van Aken, Great Falls, Secretary for the Board of Directors for Montana Peoples Action, said attached to his testimony EXHIBIT 3 are copies of their CRA agreement with the First Interstate Bank of Billings. MPA is made up of Montanans interested in making our State a better place to live. They are not bankers and do not claim to be. However, they have found a secure lending market that is largely ignored by the banking community, and that is in the low-income neighborhoods and moderate-income communities in Montana. When the MPA first told bankers in Billings that there were credit worthy borrowers in the low-income neighborhoods, the banks told them three things:

1. There were very few credit worthy borrowers living in low-income neighborhoods; 2. If there were, the bank would have made those loans; 3. Low-income people will default on their loans.

The banks have praised MPA agreements since then because their lending has increased dramatically which translates into profits. People are not defaulting on loans, and in fact, national results indicate that homes in low-income neighborhoods have a default rate of one-quarter of one percent compared to two to three percent in middle-income neighborhoods and five to eight percent in upper-income neighborhoods. In supporting a loan disclosure law we are asking for the right to know where our deposits are being invested. We are not asking to punish banks, but rather to be able to make informed decisions as to where we keep the fruits of hard work and sweat. Our agreements with banks is the following: 1. Statement by the bank and their P.A. market lending in specific neighborhoods where historic lending levels have been low. 2. Set lending goals for diverse types of business loans, home mortgage loans, home improvement, consumer, and business loans. 3. In certain cases they provide incentives such as low interest rates, reduced fees, and government buy down programs. 4. A statement that the bank will use established credit guidelines to insure a minimum of default. Their agreements do expand credit histories to include utility and rent payments histories for people who have no traditional established credit histories. So MPA asks your support for this law that will cost the State nothing and will cost the banks little time, and would provide the people of Montana access to capital and information.

Opponents' Testimony:

Marlene Teague, Assistant Vice President, Norwest Bank Helena, said in her capacity she makes business, agriculture and consumer loans. She has been a compliance officer there for 11 years. Her responsibility is to make sure Norwest Bank Helena complies with all government regulations and rules, such as the Community Reinvestment Act. She has the opportunity to visit affiliate banks, other banks that are in Dillon, Butte, Anaconda, Billings, Great Falls, Kalispell, Lewistown about their commitment to CRA. They do talk about these things. She reads the CRA annual reports. Every year she reads three reports prepared by other Helena banks. She feels she has a broad scope of CRA activities rather than a limited view of just what is in our community and State. She believes Montana banks are doing a good job meeting the needs of their communities. Some banks are examined by the Federal Reserve and the state examiners, others are examined by a combination of three regulating examining agencies. Norwest Bank received a rating of 2 in a June of 1989 CRA exam and they are looking forward to another exam this year. There have been no consumer complaints about their CRA activities, only praise. There is a system in place for CRA complaints. Nobody is complaining.

This is the second time such a bill as this has been introduced to the Legislature. The Office of the Comptroller of Currency regulates over 40 national banks in Montana. They have received three CRA complaints in eight years. You and I pay for this system already. There are people who feel this system does not work. Do not spend Montana tax dollars in Montana and Montana bank customer dollars to duplicate a federal system. She is a board member of Women's World Banking whose objectives are to promote funding for small women-owned businesses in Montana. She attended her first board meeting in Great Falls in January this year and she was the only one of 13 board members to show up. She asked herself where are the nonbanking people who want us banks to assist those small women-owned businesses in Montana. First Bank Billings entered into a funding agreement with Women's World Banking to provide a revolving fund for over \$100,000 to small women-owned businesses. She will be making such a proposal to the Norwest Bank here so they can follow their lead. Norwest is studying their increased needs in complying with CRA as it now exists. There is a recent update for this year that all CRA exams will prepare evaluations of the institutions records of meeting the credit needs of this entire community. That includes low- as well as high-income neighborhoods. Each evaluation shall have a public section stating conclusions of each assessment factor, discuss these factors, report their conclusions and contain bank ratings. These ratings will be made public. You will see this in the newspapers. Banks compliance with CRA will be examined even more closely; banks will make the extra effort to be sure they have good ratings.

The OCC manual of performance category ratings and what they mean. Anybody can look at this. This is kind of the bible for her bank. CRA has this information already available. The CRA reports

what you did last year. This is a plan of what the bank is going to do this coming year. It includes everything she plans to do, and when she is going to do it. This includes a meeting with Native American Indians in Helena, meeting with Child Care People, meeting with senior citizens, small business, agriculture, so they plan to do all these things, and are doing more and more. She presented a map showing the residential home loan requests they received in 1990. There were only three denials. There were reasons they could not make those loans. Either the house did not qualify for the type of financing, or there was something wrong with the building codes, or the borrower may not have qualified financially. They track these things.

During 1990 the Norwest Bank Helena and the Kalispell bank were two of the top 15 producers of SBA loans. The Montana office is one of the most active offices in the western states. Her affiliate states don't even make SBA loans. Montana is really active in that and that is a good way for customers to go. People will see more of that. The Helena's first school partnership program is matched to a school in a poorer section in Helena. They are spending dollars intending to help students and their parents so they feel comfortable with the banking part of loans. She instituted a meeting with Helena Banking finance officers to collectively discuss CRA to evaluate their low- and moderate-income areas and this will be an ongoing CRA committee meeting this year.

She cannot believe an additional layer to monitor CRA at the state level is necessary. After finishing this speech and looking at all they do for the community, she doesn't see how they have time to make the loans to the customers that they made loans to last year. There are 50 banks she deals with and the CRA law and the Bank Secrecy Law which is money laundering and the real estate evaluation law are the three hot items for the examiners this year, therefore banks are paying attention to them, and they will continue to do so.

Comments about the bill itself: 1. Page 1, line 6 indicates an annual report. These are available to anyone who wants to come in. Helena does not have a large enough population to track where they make their loans and where they don't. They do that already because they know that is good for them. 2. To those who are representatives of low- to moderate-income organizations, their customers are low- to moderate-income people. They do like to make loans because that is the way they make money. 3. It indicated the board looked to the rules and regulations adopted by Iowa and New York. She called the three largest banking systems in Iowa to talk to them about what is working in their state. She asked them if they did a better job with CRA, and they said that had no effect on them at all. They just post the copy where it is available to everybody else and send it to others at an out-of-state level.

On Page 3 lines 18 through 22, where the banks are identified she wondered where the mortgage bankers were. Aren't they covered? and where are the trade union banks. They also have deposits and they loan in Montana. Do not spend your tax dollars and your time on something that is already being monitored.

John Cadby, Montana Bankers Association, said HB 541 is not needed. He handed out EXHIBIT 4. Underlined language states that banks make only 15% of all loans made in the United States, down from 26% ten years ago. The reason is that they are not competitive in gathering deposits and making loans because of too much regulation and too many laws that treat banks like they are public utilities that have some kind of a monopoly when they are private business people in the marketplace fighting for business. Their competition is mortgage bankers, Sears, S&Ls, credit unions, money market funds, insurance companies, stockbrokers, State Board of Investments, federal agencies - Farm Credit System, Farmers Home Administration, etc. Money market funds have grown by 40%; as a share of bank deposits to almost 14%. They are making loans, making deposits but they are not subject to CRA. Only banks are, and S&Ls are subject to the federal CRA.

They have had no growth in Montana in ten years. **EXHIBIT** 5 shows in 1987 total assets of Montana banks were \$7,250,000,000. Today they are \$7 billion. If your saving account doesn't double in ten years, you are losing money. The banks in Montana should be \$14 billion in assets, then they would loan out \$7-8 billion. Over half of their deposits are loaned back to Montana communities where the deposits are gathered. That is usually true for the S&Ls, and for the credit unions as well.

It is quite obvious there is no problem. It was said the CRA solved problems of a Missoula community. The Women's World Bank and other banks have made loans to Billings people after they were advised of the CRA requirements. Now a great deal of capital is earmarked for that neighborhood. There is \$45 million to loan to neighborhoods in three cities from six banks, so what is the problem? All 160 banks in Montana are subject to the Federal CRA and to the annual compliance examinations and are rated from outstanding to unsatisfactory and those ratings are public information, and anybody can walk in any bank and get that annual report and learn their rating. Every bank will try to be rated high. The things in this bill are doubly enforced through federal law and all banks are subject to it.

Regarding the addition of a low-income organization member to the banking board: the banking board only approves or denies bank charters and branch banks, and seldom does that. They do not supervise or regulate banks. The Commissioner does the regulating, and examiners examine the banks. You can go to a national charter, they don't need state rules, so nothing is accomplished by putting someone on the state banking board. A credit union can be started with a letter to the Commissioner saying you want to form a credit union and he usually writes a

letter back saying O.K. They do not have to have a board to approve their charters.

At the appraisal to license and regulate appraisals. They went to the Senate Business Committee and advised they use all those appraisals for mortgages. Can't we have somebody from banks or S&Ls or credit unions on that licensing board? The DOR said they have 60 appraisers, they want somebody on that licensing board. The Senate Committee added one more public member, so there are three public members and three appraisers on the licensing board. That makes sense. You put on the licensing board those people that are being licensed with some public members. If you start singling out one organization or group to put on this board, how many other groups are going to come in next session and say they want to be on this board because they are affected by their actions.

Bob Pyfer, Montana Credit Union Association, said since credit unions have been mentioned, he will testify. The reasons why credit unions are not included is that it is inappropriate and unworkable to have credit unions included in this type of legislation. Credit unions are not part of the problem or perceived to be. They are nonprofit, non-stock, member owned organizations. Because of their capital and controlled structure, their only purpose is to serve stockholders. They have a fine record of serving the small borrower and small saver. A major thrust of this bill is to ensure in Section 4 (1) A bank shall meet the credit needs of the community or communities in which it is located. Credit unions have limited membership. Most are employee groups. Many are community credit unions that take in residents and workers in a specific limited geographic area. By law credit unions may only make loans to their members, so by legal definition credit unions must serve the credit needs of their members. Taking member deposits and loaning them out outside of the credit unions "community of interest" is simply not allowed by law. Employee groups which comprise most of the credit unions are not allowed to serve the community and the public in general in the geographic area, so the basic service area concept, which is central to the bill, simply does not work for credit unions.

The bill also puts a great deal of emphasis on business lending in the community. Credit unions' primary mission is serving the consumer needs. The National Credit Union Administration, NCUA, which regulates federal credit unions and insures all credit unions in Montana has adopted a business lending regulation that applies to all credit unions in Montana that is extremely restrictive. In fact, they are now proposing amendments to that regulation that will make it even more restrictive. Essentially limiting any incentive to do business or commercial lending. This is another reason why the bill would be unworkable and inappropriate as applied to credit unions.

Credit unions tend to be small. As of July 1, 1990, there is one

credit union in Montana that is still under \$50,000 in total assets. Even though small those credit unions will still comply with all of the disclosure and reporting requirements, and substantive rules promulgated by the Federal Reserve Board, the IRS, the treasury, and others, not to mention the regulations imposed by Credit Union Chartering, insuring and supervising. Imposing an additional CRA compliance burden on credit unions would be hurtful and not at all beneficial. For all of these reasons that credit unions are not subject to Federal CRA. He would resist any suggestion that credit unions be included in this bill.

Larry Moore, Stockmens Bank, Cascade, said the Stockmens Bank is one of the smallest banks in Montana. They are subject to all the reporting the larger banks do. He started making a list at the first of the year. The Stockmens Bank is a Mom and Pop bank by comparison reported income, reported condition, FDIC, state bank assessment, list of directors, stockbrokers list, property, etc., etc. So far he is responsible for 135 pages of detailed reports, and it is only Feb. 14. This will put more reporting on them. Montanans pride themselves, we even have bills for this for micro business. He considers himself a small business, and is not worried near as much about his competition, Norwest or First Bank systems, as he is about the regulatory burden which threatens his existence. Every time a little bit more comes along it stacks a little bit more on top, and it isn't any one particular thing that will kill him, it is the continuous things. He can easily see Montana evolving into very large banking institutions and the small ones put out of business by the big banks' competition just by the burden of being overregulated. The second thing is the CRA is a very subjective regulation. In talking about the lower income ratio, he is not sure what the public determinant of his community is, what people are low income, and what people are not. In a political process you knock on doors and say what you think. In the process of knocking on doors and say what is your income? would get you thrown out. He can only make reasonable estimates which he does.

In talking about Montana needing more investment, Montana's largest bank is the State of Montana. They have assets of \$3.2 billion. By comparison, that is twice the size of Montana's largest corporate bank, which is the First Bank Systems. The Board of Investments at this time is investing approximately \$5.2% of the State's money within Montana. If we need more money in Montana, maybe more of Montana's money should be put in Montana.

REP. DON STEPPLER, HD 21, entered a letter into the record, EXHIBIT 6, from the 1st United Bank of Sidney opposing HB 541 which he read. The Sidney area during the oil boom, added 5,000 to a community of 11,000. After the oil boom left they had homes vacant all across Sidney and Richland County, the Fairview area up into the Roosevelt County area, down through Glendive in John Johnson's district. To say they do not have any low to moderate

income neighborhoods is hardly correct. She is referring to the fact they had subdivisions of anywhere from 50 to 75 homes that were vacated. The people who built the houses during the oil boom, most of those houses were in the \$60-80,000 range. They were turned back to the banks when they no longer had jobs and had to leave the area. There were 100-150 homes that went back to the bank. Most of these homes were sold by the banks for anywhere from \$15-20,000. They took a very heavy loss on these homes. A lot of these homes went to low-income. Most of them were federally funded through FHA or VA loans. The banks tried to target the areas where they could do the most good. Rural Montana is taking care of itself. The banks are loaned out mostly to agriculture and the small businesses. EXHIBIT 7 That can be found all across Montana. This is just another regulation that is not needed.

Questions From Committee Members:

REP. BENEDICT said when REP. KADAS introduced the bill he mentioned something about not mandating any type of bank activity. In new Section 4 it says "community reinvestment is the responsibility of the banks". It seems that section is not necessary since that is a federal requirement. It does in fact mandate that a bank meet credit needs of the communities in which it is located, including low- and moderate-income neighborhoods. Mr. McCord answered basically the language of the Federal Reserve National Act requires state-chartered banks to loan to our farmers and low-income. There is a special emphasis on low- and moderate-income loans which says Montana wants our farmers and low-income which as Marlene said was 80% of our people are lowincome, so they do offer loans in those areas. It doesn't set any numbers, for example, federal law says 10% of their home mortgages will be low-income. That is not said about statechartered banks, and they do not want that said in Montana.

REP. SONNY HANSON said you just made the statement that this applies to national banks that are controlled by the national organization, and this applies only to state-chartered banks. How many state-chartered banks are there? Mr. McCord answered there are only very few nationally-charter banks in Montana. The majority are state-chartered banks. REP. HANSON continued, his understanding was that Montana only had a couple of state-chartered banks. Mr. Cadby said there are relatively few state-chartered credit unions and there are no state-chartered S&Ls. There are 111 state-chartered banks, 46 national banks, and the rest are branches. The national banks constitute about 40-50% of total assets to deposits in the State.

REP. STELLA JEAN HANSEN said you talked about all the reporting you have to do for the Community Reinvestment Act (CRA), do you have the criteria available to compile the report you do for the CRA the information that would go on EXHIBIT 5? Ms. Teague said they compile by census tract all of their instalment and real estate loans, and have the criteria available for the CRA report.

They already do this in another fashion and it is already available. REP. HANSEN meant for the EXHIBIT 5 sheet. Ms. Teague said they have that information available and they basically census tract number of loans, FHA, VA, break these all down. REP. HANSEN asked are these posted in your bank? Ms. Teague answered they are not posted publicly, but they are available in their other files. REP. HANSEN asked if it would be a problem to post them publicly so the public could know? Ms. Teague insisted it is already available, anyone can come in and look at their files. They are doing more census tracting because of the OCC exam they had in 1989 so they recommended before it was recommended in the bill here that information regarding the type of loan, amount, etc. be tracted.

REP. RICE said you obviously do a lot of work and came very well prepared, how would you judge your efforts and your CRA reporting against other banks you have talked to. Are you doing well compared to the rest of the banks? Ms. Teague thought above average. There are some who do a better job. The Bank of Montana Systems got a l rating on their exam last fall. She didn't know if any Montana banks are getting 5 ratings. Examining agencies will know and publish that information July 1.

REP. RICE asked who is and is not covered by CRA now? Mr. McCord answered the only banks that are under CRA are the national banks, and those banks in standard metropolitan areas have to publicly disclose. There is a distinction between the Community Reinvestment Act and disclosure of that information. It is interesting to note those banks already have the information. All we want is a copy of that. The national banks already do that, the state banks already have that data; they make these reports because it is good for marketing problems. But they don't have to disclose it.

REP. RICE asked if they are not required to do it under the existing federal CRA? Mr. Cadby said that is untrue. Every bank in Montana, state and national, are subject to the Federal Community Reinvestment Act. Every bank in Montana is examined by the FDIC, the Federal Reserve, (those who are members of the Federal Reserve), they all have to subscribe to exactly what Ms. Teague is doing for her banks, they all have to have annual reports filed, all have to be rated, and those ratings are going to be published for public information. REP. RICE asked if all banks are subject to the same disclosure requirements of the CRA compiled information. Can anyone go into a bank and get that information? Mr. Cadby answered they are. It is correct that anyone can go into a bank and get that information.

REP. DOWELL said they had heard testimony from Mr. Moore and REP. STEPPLER about the problems this could cause for small banks in small communities that are really hurting, please respond to that. Mr. McCord said all banks already have this data. All they want is a copy of it. All the marketing departments already do this. REP. DOWELL asked how would making this more public get

more money into low- and moderate-income neighborhoods? Mr.
McCord explained you can get more money into all sectors of our economy because currently, for example, Great Falls has \$28 million in local banks, so the County Commissioners can use this information to site better where to place their money in those banks which are making those community loans. It gives banks an incentive to loan to the community. Local county and city governments handle a lot of money they can move around. There are a lot of pension funds around here also, some of which can be used to help the communities. Because that information is made public, people can move it to banks that are helping their community.

REP. KILPATRICK could not guite understand what the problem is. You admit you have the information, they admit you have the information. How much extra work would it be to fill this form out? Mr. Cadby it adds up to about 175 pages. REP. KILPATRICK said it seems to be the big argument that it is already done, you already do it, is it going to be scads more paperwork or is it just a matter of putting it on their form? Mr. Cadby answered transmitting data from one form to another requires time and labor, computer software programming, requires cost and labor that is wasted that could be used in making loans and be making money. All those forms are going to be forwarded to the Commissioner of Financial Institutions, and he didn't know what he would do with them except stack them up, plus you will probably need a fiscal note because Section 4 mandates the Commission of Financial Institutions to enforce this Act. He hasn't enough money to adequately examine banks now. A fiscal note should be attached to determine the impact this is going to have on the State of Montana to enforce this Act.

REP. KILPATRICK asked Don Hutchinson, Commissioner of Financial Institutions, if it is that much of a problem. The opponents continually say they do all this, and the proponents say they want to pick this up. The opponents say it is going to be all kinds of material to be sent to you and you stack it up some place and nobody ever sees it. Is this going to be much of a problem? Mr. Hutchinson said they did prepare a fiscal note, and this would go into effect in 1992. It would be difficult to anticipate a cost, but they did a cost estimate that was \$2600 in the first year for rules, board hearings, etc. on the matter. It would be an additional cost of \$10-11,000 in the second year, but that does not anticipate how much additional people they will need because the bill is unclear as to what they will be asked to do.

REP. BACHINI asked if he received the Federal report? Is it available to the general public? Mr. Hutchinson said he did receive the report, but it will not be available to the public for awhile from his office, but it is available from each bank.

REP. WALLIN asked what kind of loan are you demanding that is of major concern, real estate loans? Are they apartment loans, are

they commercial loans, etc., he doesn't see anything stating what kind of help these people need. Mr. McCord said the bill doesn't say what has to be done with the loans. What it does say is that the information of what the banks are already doing is public, so it is in the local community, so any place in the State can say they aren't receiving consumer loans from the banks into their community. REP. WALLIN said maybe they are complying if they are not real estate loans, but they are not complying on inventory loans. How are you going to get that altogether? Mr. McCord answered with the information they will be able to get with this bill, they will be able to find out what areas are deficient and work with the local communities to open a dialogue with the bank to solve those problems.

REP. BACHINI thought this information could be obtained already from the banks and do what you want, so why do you want this copy? Mr. McCord stated it is untrue the information is available. REP. BACHINI asked is it true that this information is not available that these people are asking for? Is it available from each bank? Mr. Hutchinson answered not to his knowledge. It is available from each bank.

REP. ELLIS said it was inferred that Great Falls as a County might want to invest their money in a different bank because of where the bank invested their money. Schools and counties and other forms of government are substantial investors in banks with money they want to hold until the next warrant period. You would say they should go to a different standard that gives them the best bid for their money each period? Mr. McCord said not necessarily. In considering the bid they should also consider how that bank works with the communities. Depositors might want to put their money in a bank that would increase the tax base. REP. ELLIS would want to know more about that standard before he could be very helpful. This could lead to a lot of manipulation of a lot of public funds, and loss of control over the banking industry by putting it in subdivisions. McCord said the local county commissioners would decide how they wanted to use that information if they wanted to use it at all.

REP. BENEDICT said you mentioned in your opening remarks this bill does nothing to mandate how a bank should run, but in Section 4 community reinvestment responsibility of banks, "a bank shall meet the credit needs of the community or communities in which it is located in low- and moderate-income neighborhoods". That language suggests that you are taking Federal Community Reinvestment Act and extending it to state-chartered banks and having them do what they are not required right now to be involved in other than they do voluntarily report their compiled loans, but they are not mandated to reinvest that money in certain places. This language looks like they will invest to meet the needs of certain neighborhoods. REP. KADAS said that is a fairly vague requirement to begin with. Under the standards of our culture it is an exceptionally large demand. However, if you are really uncomfortable with that, he is not opposed to taking

that out of the bill. He wants to make sure the banks provide this information to community people. That is not happening now.

REP. McCULLOCH asked for an explanation of this problem with the banks. Mr. McCord said as an example he went to a bank in Red Lodge and was refused the information. He went across the street to the Montana Bank in Red Lodge and they were more than happy to provide the information. The fact is 85% of the banks will provide the information. There is a small percentage that does not and will not, and that is what is needed. The majority of the banks probably don't have problems are helping the communities. There is a small minority that will refuse information and do. That is what this is all about - just providing that information.

REP. BACHINI asked if a person is denied this information, can he come to your office as Banking Commissioner and require that bank to provide that information? Mr. Hutchinson was sure he could.

Closing by Sponsor:

REP. KADAS explained the issue is not whether the bank will supply the information or not. There is relatively little question of whether it ought to be provided. This bill does not put any great burden on the banks. It is a relatively minor aggregate recordkeeping that is already done, and just ensuring the community has access to that. That is not a big step. The other part, in providing access referred on Page 8 at the end of Section 5 (3) describes essentially how the banks shall provide the information. What has happened in the past is there are instances where the bank says they have the information and you can look at it, but you can't copy it or take it out of the bank. That puts a strong road block in the way of someone who wants to take and have access to that information. (3) provides the banks shall provide copies at no more than cost of the copies. That is the important part of this bill. So that a bank that doesn't want to cooperate does have the ability to put all kinds of road blocks in the way. He is surprised at the banks' opposition. The banks that have ended up working with MPA in places where this information has been applicable, have found in the long run they have been able to build a better relationship with their community, they have increased their own loans to the benefit of the bank and the community. Banks seem to have a fear of any additional kinds of requirements. There are reasons for regulating lending institutions. That has become extremely clear in the last two years. This is one of those kind of safeguards to allow the community to have some knowledge and some participation in that institution that is the central part of that community. That bank does not just belong to the shareholders, it part of the community and belongs to everybody. They have a responsibility to try to work with the community. This is a tool to allow that to happen.

REP. SHEILA RICE, VICE CHAIR, took over as Chairman.

HEARING ON HOUSE BILL 258

Presentation and Opening Statement by Sponsor:

REP. BOB BACHINI, HD 14, Havre, sponsor, explained this is an act requiring compensation paid by motor vehicle manufacturers to motor vehicle dealers for parts and services performed under warranty must be at the same rate charged by the dealer for retail work; providing administrative penalties; and amending two sections, MCA. He had three amendments for the bill. One of which has been worked out by both the proponents and opponents, and another that takes care of Navistar Company's concern, and the RV dealers concern with the bill, which he will present to the Committee when executive action is taken.

Proponents' Testimony:

REP. TIM WHALEN supports HB 258. There was a bad faith lawsuit brought against the American Motors Dealership in Billings several years ago. There was a problem vehicle that came off the line. He was convinced one of the reasons the American Motors Corporation that he represented on and off was sued was the fact that they had such a limited policy of reimbursing dealers on warranty work as the necessary work needed to be performed on that vehicle never got done. After this individual had taken the vehicle in about a half a dozen times, had the same thing fixed, and had all these factory representatives who weren't even qualified to decide what was wrong with that automobile look at it, it sat there for about six months and this man didn't have the use of this vehicle. He finally decided to revoke acceptance of that vehicle and brought the bad faith lawsuit that he did. During the course of discovery in that lawsuit, it became obvious that a more realistic reimbursement rate than set forth in the Chilton's manual and the other manual that is available, a lot more attention should be given to performing warranty work than is currently given.

Warranty work is required to be performed under the warranty manual that is put out by a particular manufacturer. Regular paid work is always paid for or usually paid these shops under one of these other manuals. So repair men, as do the auto dealers, have a strong incentive to do the work that pays the greatest amount and sometimes the warranty work is set aside. The manufacturers might oppose this bill. If they look at their own business, they will find that if dealers do not have an incentive, other than the boilerplate that is put in all the franchise agreements, to perform this warranty work, from a financial point of view it is going to cost the manufacturers a lot of money down the road. He has never been an advocate of being pennywise and pound foolish. In the final analysis this is a good bill, not just for the auto dealers in this state, but also for consumers.

Mike Grimes, Auto Dealer in Helena, Chairman of the Montana Auto Dealers Association, on behalf of the Montana Auto Dealers in

general, supports this bill for three primary reasons: The dealers find they have to subsidize the manufacturers' warranties; they are forced to ask their technicians and service and parts employees to subsidize the factories' warranties; there is a constant upward push on retail rates which are ultimately paid by the consumer. EXHIBIT 9.

Tom Harrison, representing the Montana Auto Dealers Association, who is an attorney for them on a regular basis, explained legal problems with HB 258. To read the bill as a lay person, it presently says the payment will be at the dealer's regular established retail rate. That is pretty clear, but the manufacturers say No, they don't know what the retail rate really means. It doesn't mean the rate an auto dealer is charging, it means the rate that the manufacturers have set back in Detroit. The factory sends them a manual that says what the retail rate is to be. The bill is to clarify what the retail rate is. The legislative intent was and is and ought to be that the retail rate means the rate that the consumer on the street is being charged. That is the retail rate. It is not the rate that is mailed from Detroit.

The circumstances dealers find themselves in, and this is not just automobile dealers, it is implement dealers and many others who are operating under a franchise agreement, is referred to in the law business as 'contract of adhesion'; that means the one flows from the other. The people that are dealing with the contractor relationships are in unequal bargaining positions, but when the contract comes from the manufacturer and you have the franchise for whatever brand it is, what choice do you have? They say that is a negotiated contract. Is it? They tell you 30% of this or \$600 for that - that is not a negotiated contract, that is a contract of adhesion and you have very little to no opportunity to oppose it, to modify or negotiate it; you have but to accept it in order to retain some type of relationship with the superior power and position. Because of that this is not a matter that has been able to be 'negotiated' even though it might have been yesterday with six representatives of these people. There are people looking at this from Detroit to Houston. The negotiations are that there is no negotiation, so we are dealing in an area of contract adhesion. The clear intent of the bill as it exists is nothing more than asking clarification through this bill. They will say if passed this bill is still unclear to them, and they have already done that around the country. Where they have passed this particular legislation on parts, the manufacturers have then refused to abide by the bill and forced the dealers in that unfair bargaining position to accept their rates. Since the dealers are unwilling to challenge them in court, the result is the association in a particular state has taken them to the motor vehicle commissioner in that particular state where the manufacturers challenged their standing, and said you are not hurt because you are in an association. No dealer has complained, so it is an unfair bargaining position. We are trying to straighten it out, the only way the playing field can be

leveled in a case like this is for the Legislature to do it. They ask that it be done.

REP. WALLIN, HD 78, Bozeman, wanted to go on record in support of HB 258. The manuals manufacturers require the dealers to work by are printed by the factory, and the dealers are asked for five-, six- and seven-year warranties to be covered by their dealers. The dealers would be happy if all of the manufacturers would go back to a reasonable length of warranty. That has aggravated the cost and aggravates the fellow in the middle.

Steve Turkiewicz, Executive Vice-President of the Montana Automobile Dealers Association which represents 154 franchise auto dealers in Montana, said the intent of this legislation is to reimburse the dealers their costs in meeting the warranty obligations demanded by the manufacturers. EXHIBIT 10. They support and ask a do pass recommendation on HB 258.

Don Dahl, Technician at Grimes Motors, Helena, testified in favor of HB 258. He looked at this bill from a technician's point of view. Most technicians are tied directly to the flat rate of the system. There is a great discrepancy existing between warranty time as established by the factory and the Chilton's manual times. To explain this discrepancy he used a base of \$38/hr for labor. To do a rear brake job warranty will pay for .8/hr, Chilton's will pay for 1.5/hr., 47% more or \$26.60 to the dealer; Chilton's, one hour for a water pump, compared to one-sixth for warranty. To replace the steering gear the factory pays for 2.22/hr., Chilton's pays for 3.4/hr., a transmission overhaul 7.6 hours vs 13.6 hours. The differences between all these fairly common jobs, is 42%. Flat rate times are 13.7 hours factory, 24.1 Chilton's. If you are being paid strictly on the flat rate system, at \$10 an hour, the difference is \$130 vs \$240 by using the dealers' book. The dealer is looking at a difference of \$395.20. Taking these figures into account, plus adding manufacturers' stated warranty service contracts, the difference there could cost the dealers a great deal and ultimately mechanics and customers.

Ed Marsenich, Manager at Helena Chrysler Plymouth Dodge, spoke in support of HB 258. He was a technician for five years and has been service manager for two years. He did factory warranty jobs and as a service manager he dispatches these same jobs. The technicians are after jobs the same way any of us do what we do to make money. Their pay is based on factory retail allowances. The lowest paying factory worker jobs directly affect their attitudes which affects efficiency and productivity. Time losses occur on factory warranty jobs, especially on the larger jobs. Montana shops are not large enough to specialize in having a technician for one area of repairs, as in the larger areas where the resident technician does only type of repairs and has an endless supply to work on. The more you do a job, the more efficient you become. These are only a couple of reasons they will appreciate support for this bill.

Bill VanDonsel, Main Auto Body Shop, Helena, which is an independently owned shop, said they need a bill like this. Their main warranty work is painting. On a '91 Suburban under warranty the factory allows 4.6 hours total to paint the roof. If they use the Mitchell manual, they are allowed 7 hours to do that job, a difference of 2.4 hours. To make the money necessary to stay open he has to stay there 2.4 hours after hours to make that up if the job is under warranty, or charge more per hour to make a living. There is a big difference in how it will affect not only the owners of small shops, but the technicians who are working under a flat rate pay scale. Mitchell manuals are widely accepted, insurance companies use them and pay those rates. The only way to survive is to not do the work, or raise the labor rate which their competitors would object to. These rates are set so that a journeyman body man can do that job with the right tools in that particular time. He doesn't know any body man who can do some of these warranty jobs as quickly as they say.

Dave Pierce, Dodge dealer in Great Falls, MT, asked for support on HB 258. They charge \$36/hr for labor which is going to have to go up to be in line with Chevrolet to be profitable. Chrysler pays him \$30/hr for warranty work. They allow them a small percentage over cost for parts. If they wrote a check when the job was done, he might be able to live with it, but the 90 to 120 days wait for his money really messes him up. They pay their technicians a flat rate \$11.50 a flat rate hour. In twenty years in the car business he has seen almost no technicians that can do a warranty job in the time the manufacturer allows. One of their technicians who is well educated and one of the finest technicians he has seen in 20 years in the car business, did a crank job on a V-6 motor. The time allowed him by the manufacturer to pull it out, take it down and repair it was about 7 hours. Actual time this job took was closer to 12 hours. He obviously lost money on that one. Technicians become very, very reluctant to do any warranty work. Some dealers were not going to do any more warranty work on vehicles they did not sell because they were losing money on them. The \$11.50/hr he pays the technician to work on warranty jobs, the insurance paid in the shops, it costs a fortune in Montana to heat these big shops, gas, lights, utilities, service wipers, another area they kill us on is our warranty clerk who has to do the warranty work (it would take six months to show someone how to do a warranty claim correctly because the manuals are that difficult) all adds up to an expensive operation. The money does not come from the manufacturer in the form of cash, it comes as credit on your parts bill. You never really see the cash. A dealer should be paid retail price the same as a customer pays. It is only fair to the dealer. The manufacturers did build a warranty for the manufacturer, not the seller. It is stamped on every car that is sold. It is their warranty and they have a responsibility to fix it and they have the responsibility to pay the person properly to repair that vehicle. Sixty percent of his work is warranty work. It is a wonderful warranty for the consumer, because they do the repairs, but they are asking the dealers to do them at a loss. He

strongly urged support of HB 258.

Steve Gilreath, operator of Hjelm's Body Shop, an independent shop in Helena, said the consumer themselves are getting left out of this discussion. You have the attitudes of the technicians not wanting to do the warranty work on all the vehicles that are coming in. The quality of the work may be substandard and the receipts to the shop are a hassle to the owner because of the jobs that have been hurried up and gone through in the first place so the technician can get close to the flat rate time provided, which in their case under the warranty time is not close to what they normally charge for. Eventually the consumer really takes the brunt with lost use of the car, and this hassle. He encouraged support of the bill.

Dan Haasakker, Educator in the Vocational Education, is in favor of this bill. He wants to give his boys a chance in that field to be able to make a fair wage rate and to go on and have a good chance to train them so they can make a profession out of it.

Kay Ogren, Missoula, is a Ford Toyota dealer. She said she had heard the word retail several times today. They are asking for this in the area of parts and service. The gross profits spoken of earlier when filtered down through to the net profit is less than one percent nationally for all 25,000 auto dealers for the entire operation. In the service department area the target is keeping yourself to a one percent loss or break even in the service area. Her losses in 1989 were \$370,000 in the service department and after a very expensive consultant was in for six months, her losses were kept to \$100,070 in the service department for 1990. The impact of the warranty in parts alone after expenses lost her \$72,199 on warranty parts last year. After all adjustments, and they are one of the bigger stores in Montana, they broke even for the past year. They get guidelines from the factory and all of Bitterroot Motors' expenses are in line or less than the averages of counterparts with one exception. She has a new building that costs her \$8,000 in higher expenses than guidelines allows. They have lower expenses in some other areas.

One of her franchises requires her to fix cars no matter where consumers buy them. She and her technician are asked to subsidize repairs on a car not purchased from her. Toyota has a worldwide franchise requiring a car from anywhere to be fixed. The domestics did not have that until recently. She is stuck with the Ford franchise, but they are not stuck with her. She does not feel this is very fair. They sent her an addendum to her Ford franchise a few months ago. She has no say on it. It said 'you will repair every Ford that comes to your door'. She does that because she is sympathetic to travelers, or anybody who has a car that has problems, but it is adding tremendous costs. Factories are circumventing dealers through what are called program cars. In 1991 10% of all new cars will not be sold through new car dealers; 10% of all new cars will be factory cars sold through

other companies. One out of ten cars will be coming back to her service department wanting her to subsidize repairs on that car. Not only wanting her to subsidize what used to be a 12/12, she will have to subsidize a car with 60,000 miles warranty on it which has a much higher warranty cost which the factory becomes much more reluctant to pay back on. They are asking help on what they consider a very fair bill to try to stay in business and for the consumer to be fairly treated by the factory and the dealer.

Dan Rice, whose family has been involved in the automobile business since 1946, said there may be opposition to this bill saying automobile dealers make fabulous incomes, they have fabulous facilities, times are good, and the times are tough for the manufacturer. Since 1979 Montana has lost nearly 30% of its auto dealers. Most of these losses come from rural markets. In 1979 there were 212 franchised automobile dealers, now there are 154. It is unlikely that those points or dealerships were closed because they had retirement profits to spend. It is a tough business. It is not reasonable that dealers should have to subsidize repairs on cars under warranty by the factory.

Opponents' Testimony:

Tom Valley, Motor Vehicle Manufacturers Association, which includes Ford, General Motors, Chrysler, Domestic Honda, and heavy truck manufacturers, said the issue here is the franchise agreements, the contracts between the dealers and the manufacturers. These are not developed in a vacuum. Dealer counselors, dealer advisory boards have a very active role in developing the franchise agreements which the dealers sign. In essence the dealers agree to the terms of their contracts. Rather than renegotiating these issues through dealer counsel, this lets the burden be placed upon the Montana Legislature, undermining their contracts as a method of increasing profits in times that are tough. Proposals like this one should not be considered. There is no clear evidence that current manufacturers warranty practices aren't fair. The relationship between the manufacturer and dealer is not adversarial. Dealers are the lifeblood of the manufacturers. His association and theirs, NADA, are currently studying these issues and will have documents available for you in the very near future. Until you have a chance to review these recommendations, any legislation would be premature. It is unusual for the state statutes to set the rates that one party must pay another for services under a contract, and in this instance a very small group of these would prosper at the expense of others by your decisions. Please take the time to review the recommendations of his association, and NADA before accepting this bill. EXHIBIT 11.

Norman Sherbert, General Motors Corporation, Regional Manager for Government Relations, said Al Thomas, Director of their Consumer Relations and Service Organization, is recognized not only with the General Motors but within the industry as an expert in warranty reimbursement and working with dealer organizations.

Dealers have signed franchise agreements of their own free will. It has been suggested by proponents to the bill that these franchise agreements are done in somewhat of a vacuum. With the thousands and thousands throughout the country it would be virtually impossible to sit down with every dealer and draft an agreement that would be acceptable to both parties, therefore they rely very heavily on the National Auto Dealers Associations to help negotiate these agreements. That has been done regularly over the years. NADA has complimented General Motors specifically and the auto industry in general recognizing that times don't remain stagnant, they change. They have just renegotiated their franchise agreement and signed with General Motors just recently and entered into a new agreement. This particular bill would negate that agreement and would impose on the manufacturers the most stringent warranty in this country. That is not said lightly. He recognizes that Montana has pride and been a bell ringer in instances and protects their dealer organizations. He respects that. He has many friends on both sides.

They recognize that times are bad, not only in Montana, they are bad in all 49 states. Just this morning General Motors announced that in the last quarter of 1990 they were in the red \$1.6 billion, and for the year \$2 billion. This total industry is in chaos right now. Now is not the time to enter into this type of legislation. They recognize the dealers in Montana have a problem, they are struggling just as every dealer in the United States is. To embark upon this new type of legislation which mandates specific payback to the dealer, is wrong.

In the price of the car paid by consumers, there is an element directed towards warranty. They are confident about how they go about developing information. It isn't done on a willy-nilly basis. If HB 258 would pass in this form, there is no question that there would be an additional price to doing business in Montana. He suggested this is not a dealer vs manufacturer, this is a dealer vs your constituents. They reserve the right to add an extra item on the price of vehicles sold in Montana for this particular issue. The car industry is very cyclic. In the 1973-74 era with the Iranian situation, again in the 1978-79 era with the oil embargo, and now with the Gulf War, the automobile business has had trouble. You can almost exactly follow the economy of the U.S. by circumstances at a certain time. The purchasing power and purchasing confidence of the people follow that particular pattern. The dealer bodies in five of the nine states he covers, are coming to the Legislature to try to recoup some of the money and/or business that they are losing because of the economic times. It is predictable. He asked for a No vote on this issue.

Al Thomas, representing General Motors as its Director of Consumer Relations and Service, said they comply with Montana laws that exist currently which are fair to everyone. They oppose HB 258 because it will make Montana law decidedly unfair. EXHIBIT 13.

Questions From Committee Members:

REP. BENEDICT asked in view of some of the testimony heard from the dealers, intimidation, that type of thing, did I hear you threaten this Committee and the Montana Legislature with a selective and punitive higher price directed towards Montana's consumers if this legislation were passed? Norm Sherbert explained he said if the experience shown in the State of Montana if this bill should pass should show that if increased costs were to occur because of this, General Motors could reserve the right to add that price for warranty on the sticker price of the vehicles sold in Montana.

REP. SCOTT said in your testimony you kept referring to the fact this service agreement contract between the manufacturer and the dealers was of their own free will and by their choice. What would the manufacturer do if the dealer refused to sign the service contract? Al Thomas answered if the dealer refused to sign the sales and service agreement, you would be without representation in that field. Those people who bought vehicles from that dealer would have to scramble and drive a whole lot further distances to try to get warranty service from some other dealers holding that sales and service agreement from an authorized GM dealer. That was what I meant when he said the tables have completely turned. Dealers can indeed refuse to sign their agreement, but that doesn't mean they have an empty building any more because there are a whole lot of other manufacturers that would like to jump in there and take their place. It is a very competitive market. REP. SCOTT said he wasn't hearing that this was a sales and service contract. He kept hearing a service contract. Mr. Thomas said it is a sales and service agreement. REP. SCOTT commented that if they want to give up their dealership they can say if you are not going to give me this, I will quit selling General Motors. Mr. Thomas agreed there are plenty of competitors, if they see that as a proper market, who will jump right in there and replace GM.

REP. WALLIN said you indicated by using Chilton's manual the factory would be paying that much more than they are paying. Maybe we ought to turn that around and maybe say the factories are getting a bargain by paying that much less than they are. Is that correct? Mr. Thomas said you could put it that way, but as they see it, if you are paying more, you are paying more for absolutely no reason because those are inflated times. They do time studies and the others don't. Dealers and independent shops use manuals that have the highest times as a bible to prove to customers that is how much time it takes to do the repair.

REP. CROMLEY asked if the rate of \$38 per hour you charged under warranty, is consistent with the standard rate in town? Dave Pierce said it was. When they signed a new agreement with Chrysler last May, they had a stack of forms, and if you don't sign those, no franchise. The established customer labor rate is blank and the dealer that was there had an established rate of

\$30 an hour. They told him they would establish a rate after he took over the dealership, so he signed the blank form, and they sent it back at \$30 an hour. Ford and Chevrolet are \$38, GMC is \$40, and Chrysler Motors is \$44. When you are working on a truck some of the cars that have all of the new equipment them, you would have to buy thousands of dollars in special tools to do the warranty work on them, and it is very, very expensive. The last 120 days they had a state bid on cars. He bid 1991 models to the State of Montana. The manufacturers have what they call "bid assistance". He doesn't know what they make on a car when they sell it to him, but they said to bid the cars to Montana they would take his dealer invoice and give assistance per unit of \$3500. He doesn't know if it is going to cost \$3500 over the life of a warranted car, but it gives an indication of what they have for markup. He was beat out by General Motors.

REP. CROMLEY said his experience with warranty work has been that it is not preferred work and is secondary to regular repair work. Mr. Thomas answered that may be the current perception, but it is brought about by using inflated labor time guides to do customer paid work, or non warranty work. They time study the labor operations in their labor time guide, and use hand tools, they do not use automatic tools for anything, and they add extra time for moving a vehicle in and out, and going to get parts. There is even an operation number that you could use to add time, you can use up to 30,000 miles. In back of their labor time guide there is a piece of paper that if the dealer doesn't feel the time is accurate, they can mail it in. Seventy-six percent of those they receive from all over the country last year ended up as new labor operations with new times added, and another thirty-six percent on top of that ended up as extra time in labor operations. They only received one from Montana.

REP. SHEILA RICE asked what is your feeling about comparing your actual labor times with something like Chilton's as opposed to the franchise time allowance? What is your best estimate of what it really takes your technicians to finish a job? Dan Rice said to take them on balance because if we start to focus on one particular time guide, he can find one at one end of the spectrum and someone else will find one at the other end. For an average operation factory time guides, as evidenced by 56% labor and times were increased plus 36% requests for time quide review were increased, if that were not the case 92% would be increased. The Chilton or Mitchell or the motors manuals are close. There is a terrific watchdog over those in the insurance industry, because although the insurance industry is typically connected with body repair, it includes a tremendous amount of mechanical repairs as well. In a front end accident a water pump or transmission housing might be broken, so they pay for mechanical work as well. He has enough confidence in the vigilance of the insurance companies to not overpay on claims. Those manuals are close as well. If he were to charge a consumer \$100 for a repair, that consumer would hand him a Visa or Mastercard or write a check. If the charge is to a manufacturer there is a staggering amount of

paperwork or electronic equipment that has to be purchased before these claims can be submitted. If the repair is done for a customer who pays for it and the customer pays for it and comes back to him and he has to do the work over, and it is a relatively short term arrangement. With a manufacturer, that manufacturer can come back many years after I have done this repair. In a situation where the consumer has complained about the oil leak in his garage floor, and he thinks his oil pan is leaking. His power steering pump may also be leaking. The technician discovered both. If the consumer didn't authorize power steering pump repair, three or four years later the manufacturer actually can come back and demand a refund of the entire claim, so there is a real disproportionate burden of doing the two repairs. Chilton's or Motors or Mitchell are much closer to what it actually takes.

REP. TUNBY it seems like you are saying dealers are overcharging your customers. If that is the case why are so many dealerships closing? Why are those franchises losing their repair people? Mr. Thomas answered that one of the dealers this morning talked about how much money was lost in the service department, there are a whole bunch of businesses making money in the service departments doing mechanical repairs. Dealer accounting tends to treat service departments as a place where you make x number of dollars and then there is an understood fixed net loss at the end of the year which is made up by selling vehicles, so a lot of expenses are charged to the service departments. Dealers are going out of business right now and General Motors is currently losing \$2 billion because vehicles are not selling because of the Persian Gulf crisis and the current recession. What they don't build, they can't sell, they can't make any money. Vehicles have gotten more expensive which lengthens the amount of time it takes between the time a person buys a new vehicle to the time they buy a replacement vehicle. There are many factors coming together causing dealers to go out of business. Manufacturers would fall by the wayside if we were to get in serious financial troubles. GM is not about to fold, but they did lose \$2 billion. It would not be fair to say manufacturers are putting dealers out of business. They don't sell anything unless it is sold through a dealer.

REP. BENEDICT said it recognized there are superstars in every field, and he suspects in the time studies there are people who are superstars at what they do, too. Could you give an indication of maybe the type of salary range that is involved with the people who do your time studies? Are they making what the average worker in Montana makes, and do they do the same kind of work, are they in the same kind of environment? Are they average people doing these time studies or are they superstars? Mr. Thomas explained they are making more money because of the UAW union. They are no more skilled than the average mechanic in Montana. They are using hand tools to do the repairs. They don't try to pick superstars. The ones around Detroit are probably paid a bit more. They also do time studies in places like Buffalo, in

dealerships in trying to check their own studies. This isn't the first time this has come up, they are very cognizant that there is a perception their labor time guides are shorter than the rest. Talking about the 56% that amounted to additional labor and time operations being added and 36% more time added, that is out of 38,000 labor operations, and only 1,133 requests for change nationally. Somewhere along the lines somebody thinks our labor time guides are pretty accurate.

REP. PAVLOVICH asked his version of the time studies. Mike Grimes said he has watched video tapes that General Motors has produced on time studies over the years and they have been shown to the car technicians. Very few of the technicians agree that the factory time studies were realistic. They do an honest job trying to do the time studies. They are not out trying to cheat the dealers. There are two reasons the time studies are wrong: Diagnostic work technicians have been doing that work and are familiar with it; our technicians don't know about that because they have not been doing much of it. When we can finally get the thing diagnosed, we can read the memory computer to find out what the problem is. One of the technicians told him it took him 32 hours trying to find a problem with a car before they finally found out what the problem was. The flat rate time for fixing that problem is one hour, but they spent 32 hours trying to find the problem. That is one of the reasons the time guide is not fair. The other reason it is not fair is the competitive nature of the repair. Our technicians in dealerships in Montana and in other states are small and they have to do multifranchise work. A technician might work on a Honda one day, a Ford one day, a Chevrolet the next day, he may not have seen that repair for a year, maybe never, that is why their time studies are unfair, they do not take these circumstances into account.

REP. STELLA JEAN HANSEN asked if she felt in light of the opposition testimony her franchise would in any way be endangered if this bill were to pass? Ms. Ogren said she is personally worried about that since in the interest of time of this group few of the other six or seven other dealers could not actually testify. It could be only those testifying would be singled out. REP. HANSEN asked if it isn't true that the warranty is really a bargaining point under your contract to sell that car. It would not damage your ability to use that as far as your customers are concerned. A better warranty is a bargaining point in selling your cars. Ms. Ogren said she won't change the warranty, but if you look at an auto that might be 6/60 or a Toyota might be 7/70, yes, that is a selling point for the cars.

Closing by Sponsor:

REP. BACHINI said he learned a great deal about the automobile business. He thanked the proponents for their excellent testimony. One of his concerns is that maybe the manufacturers would retaliate if this type of legislation is adopted. Before he agreed to accept this legislation, he called a couple of dealers.

They didn't feel threatened, but if this legislation does pass and they are not threatened, there will be some lawyers making some big money. This is a very fair bill. The proponents have said these cars are coming in with extended warranties, and it is harder to work on them. Other states passed legislation addressing this issue and more states are considering legislation to address this. Dealers are being held to the manufacturers manual. They are captive within that manual. They are asking to use three manuals that are independent manuals which insurance companies use. That is very fair. This problem is long standing. Problems with warranty work have been going on for a long time. What about the loss to the small dealer? That is a great loss. He has a harder chance to recoup than the big quy. The figures on the fiscal note are not correct, and he will explain them during executive session. The technicians gave an excellent testimony of what they run into, and also what the dealer has to eat when he has to take that auto, car, pickup to another body shop to take care of a paint job which he is not able to do. Somebody is eating that up. The dealer passes it on to the consumer on a lot of work, so this is a consumer bill. To do what is right with this bill it should receive a do pass because it is a proconsumer bill, but it also will put the dealers in Montana on a fair playing field by getting reimbursed on a fair schedule rather than on a schedule set by the manufacturer.

ADJOURNMENT

Adjournment: 12:00 noon

REP. BOB BACHINI, CHAIRMAN

JO LAHTI, Secretary

BB/il

HOUSE OF REPRESENTATIVES

BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL

DATE Fiel. 14, 1991

NAME	PRESENT	ABSENT	EXCUSED
REP. JOE BARNETT	/		
REP. STEVE BENEDICT			
REP. BRENT CROMLEY	V		
REP. TIM DOWELL	V		
REP. ALVIN ELLIS, JR.	V		
REP. STELLA JEAN HANSEN	V		
REP. H.S."SONNY" HANSON	V		
REP. TOM KILPATRICK	V		
REP. DICK KNOX	V		
REP. DON LARSON	V		
REP. SCOTT MCCULLOCH	/		
REP. BOB PAVLOVICH	V		
REP. JOHN SCOTT	V		
REP. DON STEPPLER	/		
REP. ROLPH TUNBY			
REP. NORM WALLIN	i V		
REP. SHEILA RICE, VICE-CHAIR	/		
REP. BOB BACHINI, CHAIRMAN	V		



DONALD R. JUDGE EXECUTIVE SECRETARY 110 WEST 13TH STREET P.O. BOX 1176 HELENA, MONTANA 59624

(406) 442-1708

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EXHIBIT_	
DATE 2	-14-91
HE_5	10

Testimony of Don Judge on HB 590, House Business Committee, Thursday, February 14, 1991, 8:00 a.m., Rm. 312-2.

Mr. Chair and members of the committee, I'm Don Judge, representing the Montana State AFL-CIO, and I'm here to support requiring proof that appropriate construction permits be obtained before an insurer can issue an insurance policy on a newly constructed building.

As previous testimony has indicated, this bill would provide significant incentive for a contractor to complete the required form work necessary to show that they have applied for appropriate building permits. In addition, it would protect a legitimate contractor against unfair competition from those who would underbid a contract by using substandard building materials or hiring unskilled crafts people.

We agree with other proponents and would urge you to give House Bill 590 a "do pass" recommendation.

Thank you for considering our position.

MONTANA PEOPLES ACTION

Exhibit #.

STATE OFFICE

EXHIBIT 2

3 6th St. N., Rm. 409 Great Falls, MT 59401 (406) 727-9962

208 E. Main Missoula, MT 59802 HB SY 1 (406) 728-5297

DATE 2-14-91 24 South 29th St. Billings, MT 59101 (406) 245-6106

TESTIMONY IN SUPPORT OF HB 541 BY MONTANA PEOPLES ACTION (MPA)

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- LETTER FROM DIANE OSBORN VICE PRESIDENT OF FIRST BANK BILLINGS 3.
- EXAMPLE OF FEDERAL HOME MORTGAE DISCLOSURE ACT (HMDA) 4. REPORT
- 5. LENDING TRENDS OF 3 MAJOR BANKS IN BILLINGS
- 6. EXAMPLE OF LOAN TRACKING BY GEORAPHICAL AREA
- 7. LIST OF STATES WITH DISCLOSURE LAWS

MONTANA PEOPLES ACTION

STATE OFFICE

3 6th St. N., Rm. 409 Great Falls, MT 59401 (406) 727-9962 208 E. Main Missoula, MT 59802 (406) 728-5297 24 South 29th St. Billings, MT 59101 (406) 245-6106

Testimony for the Business and Economic Development Committee Presented by Dennis McCord on behalf of Montana Peoples Action (MPA) in support of HB 541.

My name is Dennis McCord, I live in Billings, and am currently the Co-Chairman of the State Board of Directors of Montana Peoples' Action.

Since 1988 the members and staff of Montana Peoples' Action have successfully used the Federal Community Reinvestment Act to secure commitments from six local banks, owned by four different bank holding companies, to lend an additional \$ 40.5 million to low-and moderate-income neighborhoods and small businesses in Billings, Great Falls, and Missoula.

Since 1985 Montana Peoples' Action has collected Loan Disclosure Data from across the state. The majority of the banks, who were asked for data, were helpful and provided the data. A few banks were not as helpful.

At the risk of sounding immodest, it is probably accurate to say that Montana Peoples Action understands the Federal Reinvestment Legislation better than most of the Bankers in Montana. We have dealt closely with the Federal Reserve Bank and have helped to highlight problem areas in banking procedures.

The Problem

It is no secret that capital scarcity, or lack of capital, is one of the most pressing economic development issues confronting our state. We've all heard stories about small Businessmen. Farmers and Ranchers, and others unable to secure credit. A look at the following facts makes those complaints understandable:

- * Montana Banks rank 43rd in the country in loans to equity ratios. In 1988 the average Montana national bank lent only 43% of its assets. The Federal Reserve considers 75% a good loan to equity ratio.
- * Montana banks have excessive investments in securities. In the last ten years Montana's state chartered banks have almost doubled their securities investments (increased them by 98%) while their lending over the five year period 1985-1989 has declined by an average of \$72 million per year. Many Montana banks have securities investments that equal 50%-80% of their local deposits! So while Montana suffers from a scarcity of capital our own bank deposits are being invested where Montanans have no access to it.

their O * While Montana Banks have remained profitable, their $\mathcal{O}_{\mathcal{A}}$ lending has steadily decreased. In the years 1985-1989, the banks of Montana decreased their lending by an $\sim_{\mathcal{S}}$ average of \$185 million per year.

- * Participation by Montana lenders in governmentally insured, guaranteed, or subsidized loans is woefully inadequate. The state's low-interest ag credit program (Linked Deposits) was discontinued because lenders refused to participate. The FHA 203(k) program which provides low-interest loans to bring homes up to FHA standards is only in use in those banks with Community Action Plans (Agreements between MPA and the local banks).
- * Montana banks are reporting record profits. While the rest of our state is being referred to by economists as "the empty quarter".
- In an excerpt from "Strategies for expanding Economic Development in Montana", drafted by two economists for the State Department of Commerce and Montana Economic Development Board, it states:

 "Within Montana, banks in small rural communities consistently earn a higher rate of return than banks in large communities. The smallness of these "protected" banks-- Montana bank assets average \$41 million, compared to \$268 million in neighboring Idaho -- means that they cannot handle larger, longer-term business loans, or loans requiring specialized knowledge -- such as exportimport loans".
- * As we can see from the Federal Home Mortgage Disclosure Act (HMDA), Norwest Bank Billings' Home lending has decreased to almost one-quarter of its 1986 level. We can also see other lending trends within the Bank's service area which can directly impact the local economy.

In summary, as Montanans have struggled to dig their way out of a decade of economic depression, our capital -- earned by us through our hard labor -- has increasingly become unavailable to us.

HB 541

This bill does two things. First it will put a low-income representative on the State Banking Board. Their are many organizations that are working with low-income Montanans to provide capital to start "cottage-industries". These organizations do anything from providing Technical expertise to loans and loan guarantees. They provide these services in the hopes that a bank will then take over these new business loans and allow their limited capital to help another starting business. By allowing this representation, it will facilitate these groups efforts. Some such organizations include Human Resources Development Centers, Women's World Bank, Incubators or even community task-forces.

Secondly it will provide the State Banking Board and the public in general with local lending information. The loan disclosure data provided will provide an accurate way to gauge how well the local bank is servicing the local community. This bill will only affect those banks with over \$5 million dollars in assets. Currently only those banks in communities of over 50,000 citizens are required to report their loans. Since Great Falls and Billings are the only two communities that fall in that category the Federal Home Mortgage Disclosure Act fails in its purpose for our state.

The loan data will be broken down into distinct categories: Agriculture, Business, Housing and Consumer loans.

These reports will allow local governments (city/county) to better assess those banks which are benefiting the community and to use this information in the placing of public funds. It will assist consumers and small business in locating a bank which will be willing to work with them. Overall Economic Development can be improved because areas which may have been overlooked can now be addressed.

This bill does not create any new departments or bureaucracies. It does not give the state any new powers. It provides the State with data which the majority of the banks already collect for their own marketing analysis. It provides the data on an Annual basis which will not hurt the banks marketing programs but will provide a tool to measure a bank's effectiveness.

Montanans will be able to find out what banks are doing with our deposits. Simply put, if the bank is doing a good job; pat them on the back. If not, let us find a fair solution. If Montanans are going to rebuild our economy we are going to need the capital resources which we have built/created. This bill will allow local communities to better determine their own futures. It will provide a better way to gauge private sources of money so that the need for Public money will be reduced. By leveraging private money with existing State and Federal programs, local economies can create new jobs, improve living conditions and keep our youth at home.

Two small banks make a big difference

ommunity development lending is often associated with regional or money center banks located within major urban centers. But how does this type of lending work when the financial institutions in question are banks with community bank-size asset bases, operating in small cities?

It's working rather well for a pair of banks in Billings, Mont. (population about 70.000)—First Bank Billings. with \$290 million in assets, and Norwest Bank Billings, N.A., with \$208 million in assets. While both banks are subsidiaries of major holding companies, they ultimately must answer to the credit needs of the individual communities they serve. Both banks have responded with community development lending programs that are comparable to many larger banks' offering.

Wrong side of tracks. "I know we didn't purposely redline." states William Strausburg, chairman of First Bank Billings. "No one ever did that in our organization. Philosophically, we don't think that way."

Yet why, in 1986, did a local activist group called Montana People's Action target the bank for not living up to its Community Reinvestment Act responsibilities in the south side of Billings? Strausburg points to the changes in time and demographics as the key to this

According to Strausburg, the south side was originally the heart of the city when it was founded a century ago. In time, however, the city expanded north of the railroad tracks that had served as its original border. The south side eventually became the less attractive section of the city, with low- and moderate-income residents, poor quality housing, and a higher crime rate than other neighborhoods. The decline in the state's economy and housing market during the last decade made matters worse.

"In time," adds Strausburg, "people stopped coming in to do business with us. In their minds, I think there was a perception that we didn't want to do business with them, but that was really not the case."

Montana People's Action, using an acquisition by First Bank Billings' parent company as leverage, filed a CRA protest. Local officers from the bank attended a community meeting in a church basement in the south side and began an on-going dialogue with community leaders so that both sides could better

"I know we didn't purposely redline. No one ever did that in our organization"

-William Strausburg

understand and serve the credit needs of the neighborhood. In June of 1988, the series of meetings culminated in the bank's Community Action Plan, a threeyear, \$3 million program.

According to Diane Osborn, First Bank Billings vice-president, the plan follows "a three-pronged approach—(1) determine the needs of and get to know our community; (2) educate people about what we had to offer; and (3) get results."

Osborn found that the community needed improved housing. Osborn notes the Federal Housing Agency wound up with "a fair amount of repossessed homes" in the south side during the 1980s. In the year preceding the creation of the Community Action Plan, the bank made about \$75,000 in new mortgages and home improvement loans to the south side; during the first year of the plan, the bank made about \$800,000 in

mortgage related loans.

The bank has continuously kept in touch with Montana People's Action. holding joint meetings to explain various aspects of the credit process. Osborn notes that these meetings are held in the community but not in the bank, as it is easier to "deal person-to-person and not across the desk.'

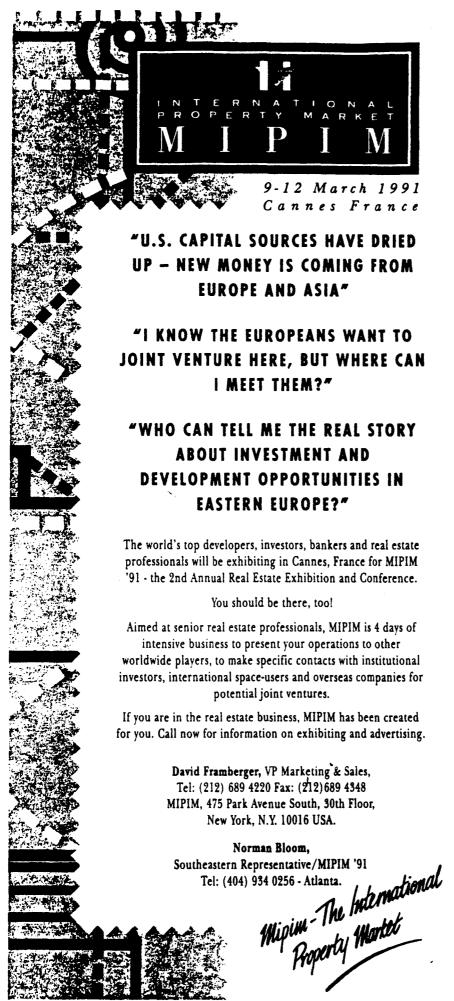
The bank has tried to sell most of its loans to the secondary market, though the difficult nature of community development lending often disqualifies loans from meeting secondary market standards. Osborn reports that FHA and Veterans Administration programs have helped make some of these loans mar ketable, and a state program for first time home buyers called the Montan: Board of Housing has also been bene-

Osborn says that the bank hopes to renew the program at the end of its thiryear, and adds that its parent compan uses the Community Action Plan as model for the community developmen lending efforts of its similar-size banks.

Enter Norwest. A year after First Bar Billings launched its community de velopment lending program, anoth Billings bank charted a similar course action as a result of its holding comp ny's new policy.

Steve Stinson, assistant vice-predent at Norwest Bank Billings, recal that Norwest Corp. had asked all of T banks to create community developme lending programs to serve the needs their respective communities. "They that in order to be the type of corporati they want us to be," says Stinson, "they has to be part of our daily goings-on business. They charged each bank come up with a Community Marketi Initiative to define market segments meet their communities' needs."

The bank has worked, and continu



Circle 47 on Reader Service Card

RIAL ESTATE FINANCE

to work, with a number of local community groups to define and redefine its program. Stinson, who is chairman or Norwest Bank Billings' Community Marketing Initiative, says the bank worked with the city to create a low interest rate loan program. Stinson note: that the program, subsidized by the city and featuring the participation of other banks, offers "competitive interes

"It was a challenge to get qualified buyers to come in and apply for these loans"

-Steve Stinson

rates, low minimum dollar amounts, and only out-of-pocket cost fees."

The bank and the city also teamed up to create a fixed-rate rehab loan program to serve low- and moderate-income households, which was introduced earlier this year. "The city pays interest up front, which reduces the monthly payments," says Stinson.

The bank did, however, come across one unexpected dilemma. "Our problems were not that the products didn's meet the needs of the people," says Stinson. "It was a challenge to get qualified buyers to come in and apply for these loans." Marketing efforts range from advertising to passing out flyers from door to door, he adds.

Almost two years after the Community Marketing Initiative was created, Norwest Bank Billings reports a sharp increase in its lending to low- and moderate-income customers. During the first year of the program, the bank loaned \$1.4 million; during the first six months of 1990, it loaned \$1.1 million.

Calling all nursing home lenders

Eldermark Publishing Co., Philadelphia, is inviting banks that finance construction loans to the nursing home and retirement housing industry to participate in its Retirement Housing Finance Sourcebook. The book is ar annual directory of lenders; it includes full-page profiles detailing each bank's financing preferences and requirements

The book is distributed nationally to developers. For more information, contact the publishers at (215) 563-9319.



EXHIBIT 2 DATE 2-14-91 HB 541

P.O. Box 30678 Billings, Montana 59115

February 13, 1991

Mr. Dennis McCord, President Montana Peoples' Action 24 South 29th Billings, MT 59101

Dear Dennis:

I have reviewed the proposed legislation regarding disclosure of loans made by financial institutions in their community. Your proposed legislation complements the disclosure currently being required by regulatory agencies with regard to loan distribution in real estate and other consumer areas.

There is a strong trend nationally that supports more indetailed disclosure of all types of loans made by financial institutions operating within a defined market or community area. This type of legislation strongly supports the already commitment by financial institutions to their communities to demonstrate reinvestment of community deposit dollars.

As a professional in the financial services industry, I would like to support and recommend this legislation.

Sincerely,

Diane M. Osborn Vice President

DMO: jau

MORTGAGE LOAN DISCLOSURE STATEMENT Part A-Originations

Report for loans made in

FR HMDA-1 OMB No. 7100-0090 Approval expires September 1985

Control Number (agency use only)

MSA/PMSA (location of property)

BILLINGS, MONTANA

This report is required by law (12 U.S.C. §§2801-2811 and 12 CFR Part 203).

Depository Institution

FIRST INTERSTATE BANK OF WEST BILLINGS

2501 CENTRAL AVENUE, BILLINGS, MT. 59107

F.D.I.C. NEW.

Enforcement Agency for this institution

730 SECOND AVENUE, SUITE 266
Address MINNEAPOLIS, MN 55402

Number

Section 1--Loans on Property Located within those MSAs/PMSAs in which institution has Home or Branch Offices

			Loans on	on 1-to-4 Family Dwellings						
		Home Purc	Home Purchase Loans				5 or More Families	_	ell mubuebi	Addendum Item: Non-occupant Loans
CENSUS TRACT (in numerical sequence)	Ŧ	FHA, FMHA, and VA	Oile	Other ("conventional")	Home	Home Improvement Loans	(home purchases and home improvement)		40÷1	I-to-4 Family Dwellings (do not include D)
Where Property Localed		<		æ		ပ	٥			
Or COMINTY (name) Where Property Located	No. of	Principal Amount (Ibousands)	No. of	Principal Amount (thousands)	No. of Loans	Principal Amount	No. of Principal Amount		No. of	Principal Amount
4	3	162					-	+		
9	1	53								
	-	57	1	74						
6	2	108								
10					7	8				
11			1	55	-	10				
12			2	203						
13	3	189								
15	-	55	-	89						
17	3	167	-	42	2	11				
18	11	874	7	450	_ 1	79				
Park County			1	295						
Yellowstone	2	87								
								+		
								-		
MSA/PMSA TOTAL	27	1,752	11	1,187	77	108				
Section 2—Longs on All Property Located Elsewhere	here									

(406) 652-1100
Telephone Number (include Area Code and Extension)

Cheri Basso

Name of Person Completing Form

FIRST BANK DILLINGS INSTALLMENT LOANS BY CENSUS TRACTS JULY 1990

CENSUS #	# OF LOANS	\$ OF LOANS	AVG. LOAN \$
1	8	\$ 145,028.85	\$ 18,128.61
2	14	111,044.79	7,931.77
3	4	8,179.90	2,044.98
4	6	62,522.42	10,420.40
5	9	89,600.13	9,955.57
6	1	24,000.00	24,000.00
7	26	301,644.98	11,601.73
8	12	62,982.15	5,248.51
9	13	104,157.84	8,012.14
10	7	54,794.20	7,827.74
11	3	49,059.99	16,353.33
12	4	70,866.92	17,716.73
13	6	90,156.43	15,026.07
14	0	-0-	-0-
16	0	-0-	-0-
17	9	111,201.21	12,355.69
18	23	225,806.23	9,817.66
20	11	56,720.32	5,156.39
21	16	145,578.57	9.098.66
2 2	27	274,001.22	10,148.19
23	30	386,124.99	12,870.83
TOTALS	229	\$2,373,471.14	

Codes through 18 are Billings by street
Code 20 is Billings P.O. #'s
Code 21 is outside of Billings, but in Yellowstone County
Code 22 is outside of Yellowstone County, but in Montana
Code 23 is outside of Montana

Billings, MONTANA

	Home Purchase Lo	Home ans Improvement Loans	Total Home Loans	
Cersus Owner- Ir t Occupied Medi Homes Inco		en		-Total Loans/ 1000/HH
_O Income is below \$16,9	:			
5.00 1182 16,5 2.00 2106 16,4 15.00 1459 16,3 10.00 1151 13,3 1.00 1242 13,1 2.00 545 9,0 3.00 689 7,3 1.00 59 7,1	34 50 65 25 45 96	9 1 22 1 6 1 4 2 13 6 1 4 5	10 23 7 6 13 7 9	1.1858 2.7274 0.8301 0.7115 1.5416 0.8301 1.0672 0.2372 0.0000
MEDIUM Income is betw \$1,945 and \$25,4	17	11 264 HI Loans/1,000 00 Homes:	77 0 1.3044	9.1308
3.00 848 24,0 3.00 2560 24,6 12.00 777 23,7 7.00 3699 20,7 1.00 1676 19,8 17.00 2116 19,8 16.00 1075 18,4 3.00 1187 17,1 9.00 1498 17,1 11.00 1147 16,9	45 50 79 84 36 29 99	8 1 41 3 8 1 40 5 5 1 33 2 4 7 6 6 1 11 2	9 44 9 45 6 35 7 7 13 0	0.5427 2.6533 0.5427 2.7136 0.3618 2.1106 0.2412 0.4221 0.4221 0.7839 0.0000 0.0000 0.0000
Totals: 16583	0 HP Loans/1,000 9.82 00 Homes:	16 293 HI Loans/1,000 00 Homes:	179 0.9648	10.7942

EXHIBIT_2 DATE_2-14-91 HE__541

Billings, MONTANA

1			billings, M	ONIANA				
			Home Purc	hase Loans	Home Improvement -Loans	Ho	tal me ans	
nsus act	Owner- Occupied	Median	FHA, FMHA & VA	Conven- tional	No. of		of	-Total Loans/
	Homes	Income	Loans	Loans	Loans	•	ans	1000/HH
13.00	1766	29,296	 	22			22	12.4575
9.00	2106	16,434		22	1	.	23	2.7274
7.00	3699	20,779		40	5		45	2.7136
18.00	2560	24,645		41	3		44	2.6533
17.00	2116	19,836		33	2		35	2.1106
4.00	1242	13,125		13	Ì	1	13	1.5416
5.00	1182	16,587		9	1	.	10	1.1858
3.00	689	7,396		4	5	; <u> </u>	9	1.0672
15.00	1459	16,350		6	1	.	7	0.8301
2.00	545	9,045		6	j	. 1	7	0.8301
11.00	1147	16,978		11	2	. İ	13	0.7839
10.00	1151	13,365		4	2	į	6	0.7115
6.00	848	24,034		. 8	1	. İ	9	0.5427
12.00	777	23,750		8	j 1	. j	9	0.5427
8.00	1187	17,199		7		ĺ	7	0.4221
19.00	1498	17,169	`	6]	. i	7	
14.00	1676	19,884		5	1	. j	6	
16.00	1075	18,429		4		İ	4	
.00	59	7,107		2	İ	i	2	0.2372

Billings, MONTANA

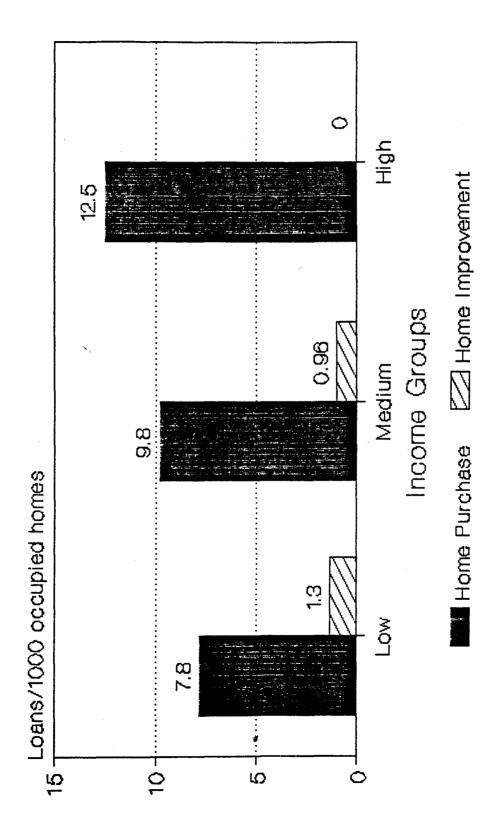
			Home Purch	ase Loans	Home Improvement Loans	2	Total Home Loans	
Ce sus Tract	Owner- Occupied Homes	l Median Income	FHA, FMHA & VA Loans	Conven- tional Loans	No. of Loans			-Total Loans/ 1000/HH
HILH Inc	come is (Freater \$25,417			-	-		
13.00	1766	29,296		22			22 0	12.4575 0.0000
Totals:	1766	-	HP Loans/100	0 22 0 12.4575	HI Loans/1,	0	22	12.4575

EXHIBIT 2

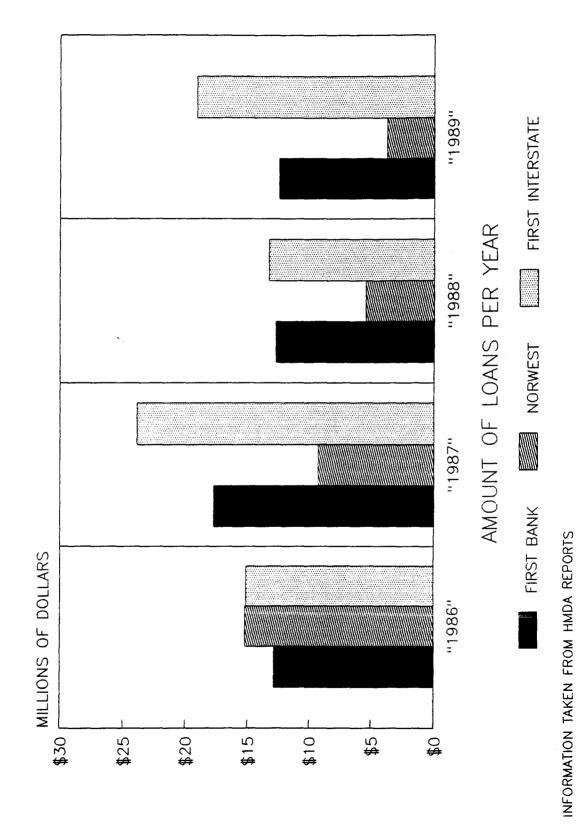
DATE 2-14-91

HB 541

FBS LOAN DISTRIBUTION BILLINGS, MONTANA



HOME LOANS IN BILLINGS



DATE 2-14-91

D. States by Rey Reinvestment Provisions in Sourcebook Charts

* denotes statutory material in sourcebook

	dis-	reinvst.	net new	rating	linked
	closure	require.	funds	system	deposit
		344444	3011-5	3.1.2.3.1.	
Conn./Hartford	X*	X*			X*
Dist. of Col.	X*	X*			
Illinois	X	X*	X*		X
Illinois/Chicago	o X*	X*			X*
Indiana		X			
Iowa	X	X*			X*
Louisiana		X			X
Maine	X*	X*	X*		
Maryland	X	X			
Massachusetts	X*	X*		X* (X*
Michigan	X	X		·	X
Minnesota	X*	X*	X*	X*	
Missouri	X*	X*			X
Montana		X			X
Nevada		X			
New Hampshire	X	X	X		
New York	X*	X*		X*	
Ohio	X*	X*			X*
Oklahoma	X				
Pennsylvania	X	X			
Utah		X			
Vermont	X*	X*	X*	X*	
Washington	X*	X*			
West Virginia	X*	X*			
Wyoming	X	X			X
total number	20	24	5	4	11

MONTANA PEOPLES ACTION

Enhilit #3

STATE OFFICE

3 6th St. N., Rm. 409 Great Falls, MT 59401 (406) 727-9962 208 E. Main Missoula, MT 59802 (406) 728-5297 DATE 2-14-91

HB 541

24 South 29th St.

Billings, MT 59101

(406) 245-6106

EXHIBIT

Testimony for the Business and Economic Development Committee Presented by Rick Van Aken, on behalf of Montana Peoples Action (MPA) in support of HB 541.

My name is Rick Van Aken, I live in Great Falls , and I am currently the Secretary for the state Board of Directors of Montana Peoples Action.

Montana Peoples Action is made up of Montanans interested in making our state a better place to live. We are not bankers and don't claim to be. However we have found a secure lending market that is largely ignored by the banking community; (i.e. the low income neighborhoods and communities in Montana).

When MPA first told bankers in Billings that there were credit-worthy borrowers in Billing's low income neighborhoods the bankers told us:

(1) That there were very few credit-worthy borrowers living in low income neighborhoods. (2) If there were, the bank would have made them loans. (3) Low income people will default on their loans.

As Dennis told you, the banks have praised our agreements because their lending has increased dramatically which translates into profits. People are not defaulting in loans under our agreements and in fact national results indicate that loans in Low income neighborhoods have a default rate of one quarter of one percent compared to 2 to 3 percent of in middle income neighborhoods and 5 to 8 percent in upper income neighborhoods.

In supporting a loan disclosure law we are asking for the right to know where our deposits are being invested. We are not asking to punish banks, rather be able to make informed decisions as to where we keep the fruits of our hard work and sweat.

Our agreements with banks do the following:

- 1. State a commitment by the bank and MPA to market lending in specific neighborhoods where historic lending levels have been low.
- 2. Set lending goals for diverse types of loans (home mortgage, home improvement, consumer and business Loans)
- 3. In certain cases provide incentives such as lower interest rates, reduced fees and government buy-down programs.
- 4. State that the bank will use established credit guidelines to insure a minimum of defaults. The agreements do expand credit histories to include utility and rent payment histories for people who have no traditional established credit histories.

MPA asks for your support for a law that costs the state nothing, the banks a little time, and V the people of Montana access to capital and information.

Provides

COMMUNITY REINVESTMENT PROGRAM BETWEEN THE FIRST INTERSTATE BANK OF BILLINGS

AND

MONTANA PEOPLE'S ACTION

INTRODUCTION

This Community Reinvestment Program is a joint program, to be implemented and carried out by the First Interstate Bank of Billings ("the Bank") and Montana People's Action ("MPA"). The primary purpose of this program is to combine the resources of these two organizations in order to better meet the credit and banking service needs of Billings' low- and moderate-income neighborhoods, citizens, and micro-businesses.

Principal features of this program include:

- * Lending goals for low- and moderate-income neighborhoods to enhance home mortgage and improvement lending in these areas.
- * Lending goals for small or micro businesses primarily owned or being developed by low- and moderate-income people and minorities.
- * Types and conditions of loans available from the bank in order to meet the program's overall goals.
- * Specific mechanisms to promote cooperation and coordination between the agreeing parties in jointly promoting, marketing, and monitoring the program.

GENERAL PROVISIONS

- 1. Loans made under this program will be at competitive bank rates.
- 2. The Bank agrees to participate in government programs which strive to make housing and business development available to low- and moderate-income people including FHA, VA, SBA, and MBOH programs.
- 3. The Bank will apply flexibility on a case-by-case basis when loan applications are considered. Creditworthiness will be the major consideration and will be determined by taking into account the entire family income, to include public assistance, self-employment and part-time and seasonal work. A prior bankruptcy will not necessarily eliminate a borrower from consideration if the bankruptcy was for the purpose of medical expenses.

EXHIBIT_3

DATE 2-14-91

HB 541

4. The Bank will develop an advertising program to promote the availability of the program. They will create and print brochures and produce newspaper ads. The MPA will assist in marketing the programs developed under this proposal.

- 5. MPA will continue to inform the Bank on the needs of Billings' low- and moderate-income citizens during the life of this program.
- 6. The program shall be in effect from 1990 through 1994.

HOME MORTGAGE AND IMPROVEMENT PROVISIONS

- 1. Lending Goals: The Bank will use its best efforts to originate home mortgage and improvement loans and consumer loans to Billings census tracts 2.00, 3.00, and 10.00 of \$1 million per year to each census tract for the next five years. These are census tracts in Billings where the median family income is 80% of the county median family income or less, and are therefore low- and moderate-income areas.
- These loans will include conventional, FHA, VA, and MBOH financing although it will not be limited to these sources. Conventional loans will include minimum downpayment of 5% or more subject to private mortgage insurance on loan-to-value requests exceeding 80% loans-to-value.
 - a. The Bank will make 80% conventional loans subject to established credit standards and existing market conditions on real estate values.
 - b. Bank loan officers will advise applicants on various loans available.
 - c. The Bank will not charge application fees for home mortgage or home improvement loans. The Bank will charge a one-half of one percent origination fee (\$150 minimum) on home improvement loans in targeted census tracts. Origination fees on home improvement loans through the city's block grant program will be waived. For loans over \$40,000 in size, normal fees will apply. Loan applicants and recipients will be charged normal out-of-pocket expenses.
 - d. There will be no minimum loan amounts. Home mortgage loans will be made available for up to thirty (30) years. Home improvement loans will be made for up to fifteen (15) years with interest rate adjustments based on regional prime rate made every five years (rates can change no more than two percent per adjustment with a rate ceiling of 18%). Loan applicants for home

improvement loans through the city's block grant program will have a loan interest rate equal to regional prime rate and fixed for up to fifteen years with no rate adjustments.

- e. The Bank will apply maximum flexibility within the program goals, regulations, and underwriting standards.
- f. Loans included in the program's lending goals will be limited to loans of \$60,000 or less per housing unit.
- 3. Under this program, the Bank will use established FHA, VA and conventional underwriting standards. Sources of income considered in loan applications will include:
 - part-time and seasonal income
 - income from second jobs
 - public assistance
 - rental income
 - other documentable income

Documentation for established credit history will be a standard factual credit report although lack of such report will not be sole criteria for denial. Additional sources considered shall include, but not be limited to:

- rent payment history
- utility payment history
- small credit accounts with local merchants
- 4. FHA 203(k): The Bank agrees to market and use the FHA 203(k) loan program. MPA agrees to use its advocacy powers in securing cooperation from the FHA in the use of this program.
- 5. Neighborhood Mailings: The Bank agrees to pay for the postage, materials, and printing of two bulk mailings to the identified census tracts during the first year of the program. These mailings will publicize the program. MPA and the Bank will jointly prepare the mailings. The mailings will be sent by MPA using its low-cost, non-profit bulk mail permit. MPA agrees to review content of mailing with Bank prior to mailing.
- 6. All potential borrowers interested in securing loans under this program will be fully encouraged to complete the loan application process.
- 7. MPA agrees to organize and jointly conduct with the Bank six (6) meetings in the targeted census tracts during the first year of the agreement. The agendas for these meetings will be developed by the Bank and MPA in cooperation.

EXHIBIT_3 DATE 2-14-91 HB 541

SMALL BUSINESS PROVISIONS

- 1. The Bank will assist in the establishment of a community small business incubator project (CBI). The CBI will be established as a non-profit organization with a primary purpose of assisting in the development of micro-businesses principally owned or being developed by low- and moderate-income, and minority Billings residents. The Bank's assistance will consist of:
 - (a) A financial contribution or seed grant to fund the development of the CBI. In addition, the Bank will participate in the development of an educational program to assist individuals interested in starting a new business. The goals of this program will be to give these individuals a better understanding of the challenges and requirements involved in starting a business.
 - (b) Ongoing technical assistance for the development and implementation of the CBI.
 - (c) Assistance in identifying and securing additional sources of funding for the CBI.
 - (d) The Bank will have a lending goal of \$500,000 in small business loans to Billings citizens in census tracts 2, 3, and 10 during the first year of the program. The goal will be reassessed at the end of the first year to determine a realistic goal for the remainder of the agreement period.
 - (e) Loans included in the program will be targeted to be under \$75,000, but loans over that amount will count towards the lending goals.
 - (f) Contracts will be allowed as collateral.
 - (g) Loan categories will include building, construction, building improvement, machinery/equipment, and working capital. No sector of the economy or type of business will be automatically excluded from consideration. Home-based businesses will be considered equally with non-home-based businesses.
 - (h) Loan applicants who are turned down for loans may request the reasons for the denial in writing.
 - (i) Loan applicants may expect a reasonable turn around time on their special program loan application.

- (j) In recognition of the fact that Billings has the largest concentration of minority Montana citizens the Bank agrees to give special emphasis to funding loans to disadvantaged minorities as defined by CFR 13 SBA Manual.
- (k) Business loans made under this program will limit origination fees to .50%. Applicants will be responsible for normal out-of-pocket expenses. Both fixed and variable rates will be available.
- (1) Applicants who complete CBI educational programs will receive a one-quarter of one percent interest rate discount on approved small business loans.
- 2. General Loan Provisions: The Bank will give careful consideration to each loan application. It is recognized that in each case the bank must be free to determine whether it will extend a loan and it is recognized that such decision can be made only by the Bank. If desired, the Bank will discuss a decision not to grant a loan with the applicant and a representative of MPA, if the presence of a representative of that group is desired by the applicant.

"LIFELINE BANKING" OR AFFORDABLE BANKING SERVICES FOR LOW-INCOME PEOPLE

First Interstate Bank will seek to establish one affordable, "Lifeline" checking account which is available to all FIB customers.

CREDIT CARDS

Many low- and moderate-income people have difficulty getting credit because they have never had credit. This means that many credit-worthy individuals are caught in a "catch 22" situation and may never be able to establish a credit history, thereby limiting their ability to secure a wide variety of credit and loans.

First Interstate Bank will establish a credit card that would be available to low- and moderate-income customers (and all customers trying to establish credit), with eligibility and credit limits based on the use of a First Interstate Bank certificate of deposit, equal to the credit line, used as collateral.

MONITORING PROVISIONS

- 1. The Bank will meet with MPA on a quarterly basis to share and discuss program progress and problems.
- 2. All parties to the agreement will bring to these quarterly meetings whatever data may be available and relevant to evaluating program implementation and performance.

EXHIBIT	3
DATE 2-	4-91
HB 54	

3. The goals and performance of this program will be reviewed on an annual basis by the parties to this agreement and may be adjusted by mutual agreement.

ADDITIONAL PROVISIONS

1. The MPA agrees not to challenge applications filed with the Office of the Comptroller of the Currency, the FDIC, or the State of Montana, or the Federal Reserve Board, on behalf of First Interstate BancSystem of Montana, Inc. or its subsidiaries during the term of this agreement as long as FIBM is demonstrating "best efforts" in complying with the terms of the agreement.

DATE:	FIRST INTERSTATE BANK OF BILLINGS, N.A. BY:
	Robert Waller

TITLE: President

BY: Denhis McClord

TITLE: Vice President

Top of the News

BANKING

WILL THE BANKS DRAG THE ECONOMY DOWN?

EXHIBIT 4 DATE 2-14-91 HB 541

Exhaux &

The shaky industry could spark a crisis—or the country could just shrug off its banking woes



When times are hard, people queue up, and the lines they form are a grim reminder of those quintessential tough days, the Great Depression. Perhaps most worrisome are the lines of anxious depositors at the door of some bank that has just failed.

Behind much of the growing concern over the U.S. financial system is the fear that a

cascade of bank failures could lead to a return of the bad old days. Could history repeat itself? There's no certain answer, but the two assessments that follow start with the same evidence and come to markedly different conclusions.

YES WE MAY BE IN FOR A 'CONTAINED DEPRESSION'

orried about the economy? Worrying probably won't help much, but it's going to be quite a while before you've got a good reason not to. The new year wasn't a week old when the federal government had to step in and take over Bank of New England Corp. in the third-biggest U. S. bank failure ever. And before 1991 is out, the Federal Deposit Insurance Corp. expects to seize 200 more banks. Deposit runs and bank failures—are they leading us into another Great Depression?

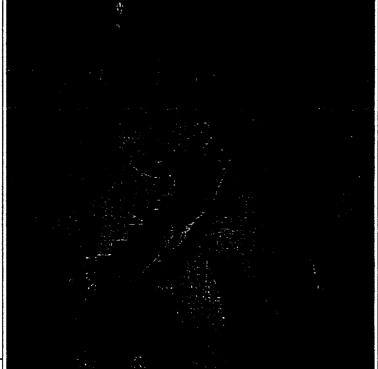
As America descends further into recession, the 1990s are beginning to take on some of the unhappy earmarks of the 1930s. Most worrisome, financial distress and listless business activity are reinforcing each other, much as they did in the Great Depression. As an economy slumps, cash flows dry up, and paying off debt becomes onerous. Defaults mount. Lenders become penurious. Tight credit pinches borrowing and spending plans. Some businesses fail outright, and others cut investment plans. Lots of folks find themselves out of work. With fewer paychecks, the public's confidence deteriorates. Consumers spend less, and the economy slips

Sure, some version of this vicious cycle always takes place in a recession. The typical postwar recession hits after a period of swift economic growth, when the Federal Reserve Board tightens credit to stem wage and price inflation. Once the slowing economy has chilled inflation, the Fed eases credit to get the economy going again. But now, lowering interest rates isn't helping much, as an unprecedented excess of corporate and consumer debt suppresses demand and drags down the economy. Banks are failing because too many of the risky loans made in the party-hearty financial atmosphere of the 1980s are souring. "We have built up a superstructure of financial claims that far exceeds the value of the underlying real assets," says John E. Silvia, chief economist at Kemper Financial Services Inc. Translation: Our financial system is on shaky ground.

SAFETY NET. The difference between a recession and a depression? A widespread collapse of the financial system. This time around, the government's vast safety net, especially federal deposit insurance, most assuredly will prevent that sort of outright collapse. And the Fed has learned how to head off a broad financial panic by flooding the system with money. So, no, we're not headed for the Great Depression of the 1990s. What seems to be brewing is an economic slump much graver than the 3% decline in output of the harsh 1982 recession but far less severe than the Great Depression, when output plunged by 29% from 1929 to 1933. As David A. Levy, director of the forecasting center at the Jerome Levy Economics Insti-

tute, puts it: "It's a contained depression."

Even if gross national product doesn't head into a free-fall this time around, the economy might feel as if it's in a depression, stagnating for ages as it did 60 years ago. Throughout much of the 1930s, for example, the prime rate was stuck at 1.5%. Few creditworthy borrowers were looking for loans, and no bank wanted to lend, except to the financially strong. Today, bank failures and debt-heavy balance sheets could similarly ensure years of stagna-tion. The Federal Reserve's policy of lowering interest rates by increasing the supply of money can't turn poor credit risks into sound ones. Nor is fiscal policy helping: Tax



further. And so on.

hikes are only helping to send the economy downward faster.

Perhaps the biggest risk is the <u>banking system</u> itself, which is in worse shape now than it has been in 60 years. Last year, <u>banks charged off a record \$30 billion in bad loans</u>, compared with some \$6 billion in the 1982 recession. And that figures to be just the beginning. Commercial bank charge-offs typically double in recessions, says Lowell L. Bryan, a director at McKinsey & Co. The bulk of bank write-offs will come from distressed commercial property loans. That's the main reason that the Bank of New England failed.



Corporate borrowers are slightly better off than banks. Total corporate debt in the U.S. jumped from \$829 billion in 1980 to \$2.13 trillion in 1990, according to Salomon Brothers Inc. Just entering the recession, interest payments are absorbing some 30% of corporate cash flow, already topping the take reached during prior recessions. Corporate bond defaults in 1990 hit a record \$15 billion. Standard & Poor's Corp. downgraded 768 long-term corporate

bond ratings in 1990, almost double the previous record reached in 1989.

What all this adds up to is a growing credit crunch, with banks turning away more and more borrowers. Banks, which accounted for 25% of corporate lending are already pulling back. Last year, business loans were down by about 1%. The Fed's surveys of senior bank lending officers have shown that more than three-quarters of them have cut real estate loans and loans to heavily indebted companies. At least half of the respondent banks say they have cut lending to small and medium-size businesses, which provide more than half of the nation's employment and output. These companies usually rely on banks for financing. And nearly 25% of the banking industry, with more than \$750 billion in assets, is posting such huge losses that it has stopped making new loans because it's so

busy collecting past ones, McKinsey's Bryan says.

AGGRESSIVE. Too much

debt, too many troubled lenders, and recession-a vicious combination. Look at the growth in business failures (chart). Regional Financial Associates Inc., an economic consulting firm, estimates that 60,000 companies, with \$70 billion in liabilities, went into bankruptcy in 1990, increases of 30% and 128%, respectively, over the prior year. Regional Financial's forecast for 1991: \$100 billion in liabilities will go into bankruptcy.

To ensure that they keep their doors open, many other enterprises are being forced to lay off workers. Layoffs always accompany recession, but this time around, businesses have aggressively slashed payrolls in anticipation of a downturn rather than waiting for business actually to slump. Had so many businesses not borrowed so much, they might not be so anxious to cut costs and so fast to fire people.

The financial pressure and growing joblessness are showing up in households across the nation: Loan delinquencies are at their highest level in more than a decade for home-improvement loans and revolving credit. And though no asset is guarded more closely than a home, about 5% of the nation's residential mortgages were 30 days past due in last year's third quarter, up from 4.5% in the previous quarter. It could get worse. The unemployment rate was 6.1% in December. The initial unemployment-claims reading for that month suggests that we'll soon see 8% joblessness, notes Edward S. Hyman, chief economist at C. J. Lawrence Inc. No wonder consumer confidence is at an eight-year low. Psychology is critical to the economy's performance, so business activity can only slow further if confidence keeps falling.

The financial system is the economy's lifeblood, and the banks are its arteries and veins. With each bank that goes bust, the risks of a "contained depression" grow.

By Christopher Farrell in New York

NO BANKS AREN'T AS CRITICAL TO THE ECONOMY NOW

ike a Depression-era hobo, the banking industry is clearly down on its luck. With real estate markets soft everywhere and more of their loans going bad, other commercial banks are sure to follow Bank of New England into insolvency. Pessimists are now predicting that the government will soon need to mount an S&L-style bailout of the commercial banking industry.

Even a string of bank failures, however, will not impede the nation's recovery from what most forecasters see as a short and shallow recession. Indeed, the days when a banking crisis could drag down the rest of the economy are long past. The failure of an institution such as Bank of New England may be disruptive, but once the federal government has reimbursed the bank's depositors, it is no worse than a large company in any other industry going bankrupt.

The key reason: Commercial banks are no longer the main suppliers of credit to U.S. businesses and consumers. Nor are they the sole conduit between small savers and the capital markets (charts, page 30). Currently, banks make only 15% of all loans.

was below the one-third share they enjoyed in the 1960s and early 1970s. Notes George G. Kaufman, an economist at Loyola University of Chicago: "Commercial banks don't have the predominance they had 30 years ago."

Considering the weakened state of the banking industry, that's good news. In the past, banks occupied the central position in the U.S. economy, and eco-



LLUSTRATION BY SCOTT REYNOLDS, CHART BY LAUNEL DAUNIS/BY

Top of the News

nomic activity rose and fell in rhythm with their fortunes, points out George J. Iwanicki, an economist at Kidder, Peabody & Co. They performed that bellwether role in 1969, for example, when commercial banks pulled back on lending and a recession followed a year later.

The banks and the overall economy no longer march in lockstep, however. Other lenders have broken the banks' hold on the market for debt financing. Large borrowers can now go directly to insurance companies, pension funds, and finance companies such as General Electric Capital Corp. Indeed, GECAP's \$58.7 billion in assets made it more than twice the size of Bank of New England even before the bank failed. Borrowers also have direct access to capital markets through long-term

bonds and short-term commercial paper. And as weak banks' funding costs rise, many borrowers can get better interest rates elsewhere.

As a result, while banks are exceedingly chary of their funds these days, credit hasn't dried up. Over the past year, the rate of commercial bank lending has fallen by 40% as the economy weakened and regulators increased their scrutiny. But 70% more commercial paper was issued in the third quarter of 1990 than a year earlier, going a long way toward making up the shortfall in bank lending.

Moreover, even small borrowers, which don't have direct and easy access to capital markets, aren't complaining of a credit crunch. According to a December survey by the National Federation of Independent Business, only 12% of small businesses reported that loans were harder to get than three months earlier. That's a figure barely higher than the one reported in June. By comparison, during the 1980-82 recession, about three times as many companies were reporting difficulty getting credit. 'MUSICAL BANKS.' True, bank troubles are putting the squeeze on commercial real estate developers. But with office vacancy rates pushing 20% in many large cities, that's no tragedy. Observes Edward E. Yardeni, economist at Prudential-Bache Securities Inc.: "We certainly don't want any more capital committed to commercial real estate.

One group that won't be hurt by the troubles in the banking industry, at least directly, is the depositors. The Bank of New England rescue operation shows that, at least for large banks, the government is still willing to make good on all deposits. With this protection, mass withdrawals from banks will be rare and short-lived. Moreover, some economists discount the dangers that bank runs pose to the financial system as a whole, since depositors are only moving their money from one institution to another. "It's a game of musical banks," says Kaufman. "What else can they do with their money?"

One thing they can do is put it into money-market funds, which are providing an alternative home for a growing share of deposits. But unlike hiding \$10 bills under the mattress, that doesn't remove the money from the financial system. Like banks, money-market funds generate returns for their "depos-

itors' by making loans. About half of their assets are in commercial paper. Even when the funds invest in government securities, their activities add money to the overall credit pool.

And while the money-market funds are showing themselves to be efficient recyclers of funds to credit markets, the banks, considered as an industry, look increasingly uncompetitive. From 1979 to 1989, which were both good years for bank lending, the amount of funds that commercial banks supplied to the credit markets fell by 16%, adjusted for inflation. Nevertheless, over the same period, their number of employees rose by 14%. A manufacturing company with productivity this abysmal would quickly have been overwhelmed by import competition. Instead, the banks didn't start making cutbacks in personnel or lending until their situation grew dire.

Although bank layoffs may cause local economic problems

in places such as New York City, their troubles are not dampening the optimism of some economic forecasters. "It's hard to foresee things getting worse, now that the Fed is dedicated to providing liquidity," says Gail D. Fosler, chief economist at the Conference Board. Even after the latest bank failure, she's forecasting a rebound starting in the first quarter of this year.

Paradoxically, widespread problems among banks could accelerate the economic recovery. Faced with turmoil in the banking system, the Fed is moving swiftly to maintain the liquidity of the financial markets. "Once the panic becomes widely recognized," says Yardeni, "the Fed lowers interest rates very aggressively"—which should boost economic activity. In part, that's why Yardeni is looking for GNP to grow at a 1.8% annual rate in the first quarter. If he's right, the recession of 1990-91 may quickly become a nonevent.

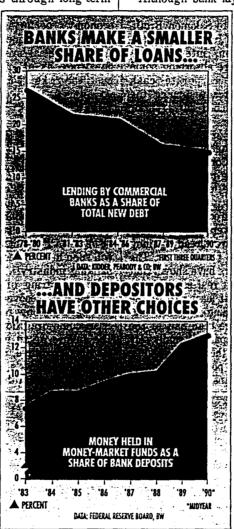
'A WASH.' Even a run of bank failures big enough to deplete the coffers of the Federal Deposit Insurance Corp., requiring an infusion of more money to replenish the fund, shouldn't have major macroeconomic consequences. True, if the government borrows the money needed to bolster the banks, the budget deficit could rise considerably. But most economists agree that the money being borrowed to pay for the S&L bailout is not depriving the rest of the economy of funds. It's being used to reimburse depositors, who put it right back into the financial system where it can be lent out

again. "From a macroeconomic standpoint, the thrift bailout is a wash," says Robert E. Litan, an economist at the Brookings Institution. And the same would be true of any large-scale rescue of the commercial banking industry.

To be sure, some economic forecasters see bank troubles, along with war in the Middle East, as the biggest risks that the economy faces. Kurt Karl, senior economist at WEFA Group, says more bank failures would make the downturn longer and deeper. Even so, by his calculations this would still be the mildest recession in the last 20 years.

Other economists worry that the credit crunch won't develop until the economy turns back up and companies start looking for loans again. But at a time when some people are laying out scenarios for a depression, the thought of having troubles in a recovery seems almost comforting.

By Michael J. Mandel in New York



	A Contraction								
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*	Return Original To	09/30/90	09/30/89	12/31/89	12/31/88	12/31/87	0-25	25-100	100+
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- 7	NET INCOME (\$MILLIONS) NUMBER OF BANKS IN TABULATION	61 156	53 168	7 1 167	2 169	26 169	1 1 86	2 f 59	28 11
	EARNINGS AND PROFITABILITY								
(e)	INTEREST INC (TE) TO AVG ASSETS	9.63	9.68	9.68	8.92	8.75	9.64	9.62	9.75
(- INT EXPENSE TO AVERAGE ASSETS NET INT INC (TE) TO AVG ASSETS	5.13 4.50	5.16 4.51	5.15 4.51	4.58 4.35	4.48 4.28	5.04 4.61	5.19 4.40	5.52 4.27
	+ NONINT INC TO AVERAGE ASSETS	0.82	0.78	0.79	0.75	0.79	0.85	0.76	0.97
	- OVERHEAD EXP TO AVERAGE ASSETS	3.47	3.45	3.49	3.66	3.57	3.73	3.09	3.52
	- PROV FOR LN&LS LOSS TO AV ASST	0.16	0.20	0.23	0.32	0.56	0.12	0.22	0.20
1 1	= PRETAX OPERATING INCOME (TE)	1.74	1.70	1.62	1.20	1.03	1.65	1.83	1.77
	+ SECURITIES GAINS (LOSSES)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	= PRETAX NET OPERATING INC (TE)	1.74	1.67	1.61	1.19	1.06	1.66	1.84	1.77
0	NET OPER INC TO AVERAGE ASSETS	1.10	1.08	1.03	0.79	0.64	1.06 1.09	1.13	1.15
,	ADJ NET OPER INC TO AVG ASSETS _ADJ NET INC TO AVERAGE ASSETS	1 . 16 1 . 27	1.08 1.16	1.01 1.04	0.77 0.77	0.63 0.63	1.09	1.26 1.34	1.08 1.15
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1 1/1	MARGIN ANALYSIS:								
8	AVG EARNING ASSETS TO AVG ASSETS	92.12	91.61	91.59	91.65	91.91	91.35	93.03	91.74
5 TO	AVG INT-BEARING FUNDS TO AVG AST	77.39	77.40	76.96	76.93	77.82	76.80	77.83	79.78
	INT INC (TE) TO AVG EARN ASSETS	10.51	10.57	10.57	9.76	9.59	10.60	10.38	10.67
DAT	INT EXPENSE TO AVG EARN ASSETS NET INT INC-TE TO AVG EARN ASSET	5.56 4.93	5.62	5.61	5.00 4.77	4.87 4.70	5.49 5.09	5.59 4.74	5.99 4.68
n	TANEL INI INC-IE IU AVG EARN ASSEL	4.93	4.94	4.94	4.77	4.70	5.09	4.74	4.60
Transp.	LOAN & LEASE LOSSES AND RESERVES						•		•
2 2 5	NET LOSS TO AVERAGE TOTAL LN&LS	0.34	0.64	0.61	0.91	1.35	0.32	0.35	0.47
•	EARNINGS COVERAGE OF NET LOSS(X)	15.46	7.98	7.92	4.14	2.83	15.89	15.50	13.69
45	LN&LS ALLOWANCE TO NET LOSSES(X)	7.84	4.29	4.26	2.83	1.63	8.79	6.98	8.82
	LN&LS ALLOWANCE TO TOTAL LN&LS	1.70	1.78	1.80	1.90	1.84	1.69	1.71	1.74
	LIQUIDITY								
	VOLATILE LIABILITY DEPENDENCE	- 16.66	-19.24	/ -25.27	-29.74	-22.96	-19.33	-15.01	-6.43
	NET LOANS & LEASES TO ASSETS	51.35	49.86	47.02	44.84	47.33	52.25	49.77	53.42
	CAPITALIZATION								
	MEMBER PRIMARY CAP TO AVG ASSETS	9.72	9.55	9.33	8.97	8.92	10.27	9.48	7.54
	NONMEMBER PRIMARY CAP TO AVG AST	9.70	9.54	9.33	8.97	8.92	10.23	9.47	7.54
	CASH DIVIDENDS TO NET INCOME	29.94	30.29	48.40	48.54	44.00	29.01	28.13	49.10
	RETAIN EARNS TO AVG TOTAL EQUITY	7.65	7.40	5.12	3.09	2.45	6.67	8.57	8.27
	GROWTH RATES			•					
	ASSETS	4.24	1.41	0.92	3.51	-0.78	3.53	4.34	7.39
	MEMBER PRIMARY CAPITAL	5.12	3.80	4.96	2.42	2.71	4.06	6.36	6.10
	NONMEMBER PRIMARY CAPITAL	5.13	3.84	4.98	2.40	2.71	4.08	6.36	6.10
	NET LOANS & LEASES	5.90	5.43	6.80	-1.44	-1.77	6.17	5.81	4.57
	TEMPORARY INVESTMENTS	4.54	-6.14	-7.03	24.21	-6.19	-3.81	12.75	64.86
	VOLATILE LIABILITIES % NON-CURRENT LOANS & LEASES	9.12	11.73	0.19	12.92	-11.51	1 2.91	14.69	11.58
on Standing Stage	TOTAL LNSRLS-90+ DAYS P/D	3. 52	ı (<u></u>)	10.40	1.98	0.	0.	161 1.38	
	-TOTAL	2 23	2 ***	9 - 19 .	31	4 15	2 -	* * 7	A



EXHIBIT 4

DATE 2-14-91

HB 541

February 12, 1991

Dear Representative Don Steppler:

I am writing in opposition of HB 541 - Community Reinvestment Act (CRA).

Banks are regulated heavily at the Federal level for community reinvestment. In a small community (about 5,000), we do not have any low to moderate income neighborhoods to target. We do strive to offer services that will benefit the entire community. Ist United Bank of Sidney has a very high loan to deposit ratio and we feel we do extend credit to all segments of the public keeping in mind, of course, the safety and soundness of the bank. Officers and directors are very involved in the community and ascertain community needs through this involvement. We spend so much time documenting our accomplishments that could be spent doing what we know best, banking.

We already have a public file and notice and also keep track of our participation in government loan programs. We find advertising in our community on a regular basis is not effective and is expensive. We have established our trade area and for Federal regulations have to be aware of what areas our loans are in. We also monitor our types of loans and dollar amounts.

To reiterate, passing a state Community Reinvestment Act would only duplicate what banks are required to do already. The increase in costs due to time and paperwork involved to comply with a state act too would have to be passed on to the consumer. We need to <u>cut down</u> these costs, <u>not</u> increase them.

Sincerely,

Cheryl L. Van Every

Assistant Vice President

rush J. Van Every

1st United Bank of SIdney

P.O. Box 1448

Sidney, MT 59270

JPERIOR CLIPPING SERVICE Billings, MT 59105-0789 EXHIBIT 7

DATE 2-14-91

HB 541

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Bank merger being held up by request from

Native Action group in Lame Deer

By DIANA BRAKE

grassroots community organization located in Lame Deer, to the Federal Reserve Bank has hard up the merger of First Interstate Bancsystem of Montana, Inc., with Commerce Highest Shares of Wyoming, Inc., for over a year.

Native Action was founded in 134 by a diverse group of Northern Cheyenne people who realized the need for empowering local people in order to build a butter life on the reservation.

ter life on the reservation.

The group's primary goal is to address the social and economic delopment needs of the area.

The Northern Cheyenne Indian Reservation consists of 500,000 a es and has approximately 400 residents.

Reservation residents say they have had a difficult time securing c dit for a variety of investment rads. Capital scarcity is probably the number one econcic development issue facing the ir community, Native Action says.

Native Action was in the paces of assessing the credit reds of their reservation when First Interstate Bancsystems of formana, Inc., applied to the deral Reserve Board for

permission to merge with the bank holding company in Wyoming.

The Federal Reserve considers a number of factors in deciding whether to approve the application, including the record of performance of banks the applicant owns in helping to meet local credit needs.

Native Action saw First Interstate's application as an opportunity to open a dialogue with the local bank, First Interstate Bank of Colstrip, hoping to join them in a partnership to develop lending programs and policies to better meet the needs of the reservation.

Native Action met with FIB of Colstrip and felt that the meeting provided "mixed results," so requested that the Federal Reserve deny FIB's merger application, "pending constructive resolution of some of the issues specified herein," on alleged deficiencies of FIBM's record of performance under the Community Reinvestment Act (12 USC Section 2901 et seg.) ("CRA"), and also on the basis of alleged discriminatory lending practices.

On Jan. 18, 1990, one day after FIB Board of Directors received the letter of merger protest from

Native Action, the Colstrip board met and reduced its primary CRA delineated area from a 30-mile radius to a 10-mile radius, excluding the Northern Cheyenne Reservation from their primary service area.

Native Action responded to the re-delineation by expanding its protest to include the Colstrip bank's change in delineation.

FIB of Colstrip Board Chairman Wally McRae then wrote a memo to board directors concerning his recommendations as to the primary service area of the bank.

McRae included explanations as to how the bank started with a 10-mile service radius, enlarged to 30 miles in the late '70s, and why they reduced the area back to 10 miles.

McRae wrote, "We looked at our deposit base and our loan base and decided that the 30-mile radius circle was an illusion and a delusion. The CRA required that we be 'proactive' in our area, and we had probably neither the financial or personnel resources to be proactive in such a large area.

"The obvious thing to do was to shrink our area back to a realistic size, but at the same time reassure our Native American critics that we were not abandoning them.

"So we reduced the primary area back to the original 10 miles and called the area between the 10- and 30-mile limit a secondary service (or more specifically, lending) area."

McRae wrote, "Our timing was lousy, however."

McRae went on with his recommendations for the service area, stating that it would be best to base the primary service area on the area within the boundaries of Colstrip School District 19, as it represents not only a political and tax area, but a cultural, social and business area as well.

"Hopefully we will weigh our decisions carefully and do the right thing."

On Oct. 18, 1990, the board of the Colstrip bank met and approved an enlarged CRA delineation which includes Lame Deer, and thereby approximately 2,500 of the 3,900 people residing on the Northern Cheyenne Reservation.

Gail Small of Native Action protested this action, asking what the school boundaries had to do with the credit needs of their area. Small also pointed out that school boundaries mean little in their geographic area because the reservation students are bussed across school boundaries daily and the Colstrip schools "have received millions of dollars in federal impact aid for these students."

Edwin Dahl, president of the Northern Cheyenne Tribe, and Clinton Small, president of the Northern Cheyenne Livestock Association, among others, wrote to the Federal Reserve stating that there is great need of agricultural financing to utilize the available grazing lands, and suggested that the FIB of Colstrip expand its service area and include agricultural loans.

Dahle wrote, "We know of no efforts made by First Interstate Bank of Colstrip to initiate any....calling efforts on ranchers on the Northern Cheyenne Reservation during this time period to ascertain the credit needs of our community" before shrinking their service area.

The Colstrip bank urges the use of other area First Interstate subsidiaries for agricultural loan purposes, but some of the Northern Cheyenne feel the other area banks are not sufficient to address the agricultural credit needs of the reservation.

In a letter dated Jan. 4, a senior review examiner for the Federal Reserve System requested of the senior vice president of FIBM, Inc., that he provide documentation from FIB subsidiaries concerning their CRA-related activities on the

Northern Cheyenne Indian Reservation with respect to agricultural credit and also requested a copy of FIB of Colstrip's community reinvestment program and a status report on plans for its implementation.

FIBM, Inc., responded in a letter dated Jan. 11, citing the requested information.

They wrote that their subsidiary bank in Hardin, which FIB of Colstrip refers their agricultural loan requests to, is a major agricultural lender on the Northern Cheyenne Reservation, with loans associated with 32

percent of the grazing acreage, the primary agricultural use of reservation land.

They also included all requested figures.

FIBM, Inc., also listed FIB of Colstrip's compliance with the provisions of the agreement between Native Action and their bank concerning the community reinvestment program.

FIBM, Inc. closed with, "We

feel that officers from the Colstrip bank, the Hardin bank, and directors and officers of First Interstate BancSystem of Montana, along with leaders from the Northern Cheyenne Indian Reservation have made a very strong effort to provide an effective community reinvestment program for the Northern Cheyenne Indian Reservation.

"We are committed to continue this effort."

The requested information will complete the record of First Interstate BancSystem of Montana, Inc.'s application which will then be reviewed for approval or rejection by the Federal Reserve.

There was no Exhibit # 8 for this day.

TESTIMONY BEFORE HOUSE BUSINESS ECONOMIC DEVELOPMENT COMMITTEE



HOUSE BILL 258: RETAIL LABOR AND PARTS WARRANTY

Mike Grimes, Chairman, MADA February 14, 1991

EXH!B!	<u> 1_9_</u>	
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Our dealers support this bill for these primary reasons:

FIRST:

As dealers, we find ourselves in the position of having to subsidize the manufacturers' warranties. Years ago the Montana legislature enacted the Montana Franchise Law to protect the business people of Montana. As part of that law, motor vehicle manufacturers were required to reimburse their dealers at the dealer's prevailing retail labor rate. Unfortunately, the law did not address the other two items which make up the cost of a warranty repair. Those two items are the time allowed to perform the work (referred to as Flat Rate Time) and the price of the parts required to complete the repair. The labor times allowed by the typical factory flat rate guide are about 30 percent less than the prevailing nationally-recognized retail flat rate manuals. The reimbursement for parts used in a warranty repair is typically 23 percent gross profit compared to a normal retail selling price, as suggested by the manufacturer, of 40 percent gross profit. Therefore, the dealer receives approximately half as much gross profit on parts in a warranty repair before considering any overhead expense.

SECOND:

We support this bill because we are forced to ask our technicians and service and parts employees to also subsidize the factories' warranties. Technicians are paid based upon Flat Rate Time and, therefore, receive about 30 percent less while doing warranty repair work as compared to normal customer retail work. This is not fair to our employees!

THIRD:

We support this bill for reasons related to our consumers. With the manufacturers required to pay retail rates and the patently unfair labor times and parts reimbursement, there is a constant upward push on retail rates which are ultimately paid by the consumer. This also has the tendency to push consumers away from the dealerships for regular service work. This situation is very similar to the way insufficient Medicare payments by the federal government tends to push up health care costs for the average person.

We are also concerned about the level of service our consumers can expect. Consider for a minute a consumer's vehicle with a serious paint defect. Many dealers do not have body and paint shops and must therefore send this type of work out to the independent body shops. Those shops base their estimates and repair costs on the nationally-recognized body repair manuals. This is true for retail consumer work and insurance work, and is, of course, what the dealership will have to pay to repair the consumer's vehicle. The dealer, however, will be reimbursed based upon the factory Flat Rate Time. In many cases, this will be 40-50 percent less than that charged by the body shop.

What level of service can that consumer expect, especially if the vehicle in question was not purchased from the dealer doing the repair?

Dealers and manufacturers alike are extremely concerned with customer satisfaction. But the question remains as to who is going to pay!

Obviously this situation has existed for a long time, so why do we come to you now? Primarily two reasons.

FIRST:

A smaller pie----dealers across this country are struggling to survive. Nationally, <u>net</u> profit margins are just over one percent for the average new car dealership. In Montana I'm certain it is below that level. As more and more dealerships close their doors, there is an obvious negative impact on the state's economy and a hardship imposed upon our consumers and employees alike.

SECOND:

Probably more important--regarding why we are here now--is the length of the warranties we are subsidizing. When warranties only lasted one year, and with the reliability of today's vehicles, our subvention was tolerable at best. But now, with warranties running as long as seven years, our shops are fast becoming nothing but warranty repair centers. We are doing the same work at a tremendous discount to the manufacturer that would have formerly been retail work to our technicians.

If the manufacturers want to play warranty wars, let them bare the cost of their marketing decisions.

Shrikiy

TESTIMONY SUPPORTING HOUSE BILL 258 FEBRUARY 14, 1991 STEVE TURKIEWICZ

DATE 2-14-91 HB 258

EXHIBIT

MONTANA AUTOMOBILE DEALERS ASSOCIATION

In the past twenty years, the issue of warranty reimbursement has been before various state legislatures in various forms, including ours. The intent of the legislation was to reimburse the dealers their costs in meeting the warranty obligations given by the manufacturers. In past years legislation has been passed that was thought to adequately address the issue.

In fact, we thought we had with it our law, stating, "The manufacturer must compensate an authorized dealer who performs work to rectify the manufacturer's product or warranty defect or delivery and preparation obligations at the dealer's regular established retail rate for similar work." We thought this language would curtail the dealer's subsidy for the factory. Since the bill was passed, the manufacturers have been pretty good in paying the "retail rate".

But every service job in a dealership is made up of three components: the rate - the cost per hour the shop charges; the flat rate - the time needed to complete the job; and thirdly the price of the parts replaced. But, even with our law, the manufacturers are not paying the full cost of warranty work because they require the dealers to use the manufacturer's own flat rate manual to determine the time required to complete a job and the manufacturer's have their own schedule for reimbursement for parts.

Other legislatures have passed bills reflecting the necessary language to bring dealers reasonable compensation for their warranty work for the manufacturers. Still dealers are losing money on warranty work. One study indicates dealers lost \$19.17 on the parts and labor on the average warranty job and made \$2.95 on the parts and labor on the average retail job.

West Virginia now requires no manufacturer," pay its dealers an amount less than that charged by the dealer to retail customers of the dealer for nonwarranty and nonrecall work of the like kind: and in no event shall any manufacturer compensate for warranty and retail work based on a flat rate figure that is less than what the dealer charges for retail work."

Texas law now states: In no event shall any manufacturer or distributor pay its dealers an amount of money for warranty work that is less than that charged for nonwarranty work of like kind."

New Jersey now law states: "The motor vehicle franchisor shall reimburse each motor vehicle franchisee for such services as are rendered and for such parts as are supplied, in an amount equal to the prevailing price charged by such motor vehicle franchisee for such services and parts in circumstances where such services are rendered or such parts supplied other than pursuant to warranty". The law goes on to state the retail price can't be unreasonable.

Five other states have adopted similar language to protect the dealers. And, at least seven current legislatures are considering bills to address the short fall in warranty reimbursement.

As part of the continued evolution of strengthening the dealers ability to recoup

2x.10 2-14-91 HB258

warranty work costs, our proposal specifies the manuals for flat rate time the dealers will be using in the repair equation that is their retail time. This clearly specifies to the dealer and the manufacturer what "retail" is and how it is to be derived.

The manuals specified in the proposal are Chilton's, Motors or Mitchell. These manuals are nationally recognized as the flat rate manuals used for retail labor times throughout the nation. These manuals determine their times by a program of continually surveying independent or retail automotive repair outlets. Their figures are accepted by insurance companies and independent extended warranty companies.

In various comparisons, we have found the differences between factory times and the independent manuals to range as low as 0% to 167% depending on the repair operation. But, by and large the average difference is in the 50% range. The times generally reflect the needs of an average trained auto mechanic using factory recommended tools and factory recommended repair procedures.

The times include allowances for vehicle repair preparation, normal clean-up associated with repair, verification of repair, mechanics personal needs, preventative measures and any other service that would normally accompany an individual operation.

Time don't include training or excessive reference time on unfamiliar operations. Nor do they include allowance for diagnosis, machine operations, booking the job or any special courtesy services that may be performed.

The labor times are determined by the manual's editors with extensive mechanical backgrounds in the automotive industry. Times are based on field research surveys, data supplied by the vehicle manufacturers and actual field studies.

Given the widespread acceptance of the specified manuals, they offer a credible source for determining the retail flat rate to be used by Montana's dealers in performing their warranty obligations. After all the point here is that it not reasonable for the manufacturer to ask us to lose money fulfilling the promise made by him to Montana's auto consumer.

We ask your support and a "do pass" recommendation on House Bill 258.

PAGE.Ø3

EXHIBIT 11

DATE 2-14-91

HB 258

Dis Exhibited

STATEMENT OF YORD MOTOR COMPANY Montana House Bill 258

Ford Motor Company respectfully submits the following comments with respect to Montana House Bill 258. Ford is opposed to the changes the bill would make with respect to a manufacturer's obligations to dealers for warranty work performed under dealer franchise agreement. Such legislation is premature, unnecessary and will likely result in higher prices to consumers.

. The National Automobile Dealers Association (NADA) is currently conducting a national study of dealer warranty reimbursement and state legislation on this subject it premature.

A uniform national warranty program, including dealer reimbursement, which treats all dealers and consumers, is the most fair, reasonable and equitable. Any departure from a national program would be difficult and costly to administer.

Manufacturers will not likely be able to absorb the increased cost, and such legislation could result in higher prices to consumers. The NADA is presently conducting a national study with respect to warranty reimbursement on data collected from several groups of new vehicle dealers. Ford and other manufacturers have agreed to meet with NADA to review the results of that study, and expect that to be accomplished within the next thirty days. Any action on warranty reimbursement should be postponed to give the industry a chance to review the study results, meet to discuss them and to avoid a patchwork approach to the issue.

. Changes to the warranty teimbursement law are unnecessary because the dealers' parts and service business is presently profitable and the trend in gross margins continues to improve.

Ford dealer profitability on parts and service business, including warranty, has increased over the past five years by 45% and parts and service gross margins (sales less parts cost and technician wages) have increased 34% from 1985 through 1989. The average dealer gross margin for warranty repairs (on a percentage of sales basis) has improved from 39.8% in 1985 to 40.6% in 1989. Warranty gross margins have been higher than the average parts and service business.

Representative Bachini February 18, 1991 Page 2

Specific reference in the bill to only three independently published flatrate labor time guides effectively creates a legislated market for those publications to the detriment of not only manufacturer-published guides but also to potential new entrants in the labor guide publishing business.

For all of these reasons, Toyota submits that HB 258 should be amended to delete reference to specific labor time guide publications by concluding Section 61-4-204 (4) with the words "of a like kind."

Thank you for the opportunity to comment on this legislation.

Very truly yours,

C. CIWES

Earl C. Quist

State Government Affairs Manager

Navistar International Transportation Care.

455 North Cityfront Plaza Orive Chicago illinois 60611 Telephona 312 835-2000

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EXHIBIT_12 Page 12 Pag

NAVISTAR.

February 13, 1991

The Honorable Bob Bacchini
Chairman
Committee on Business and Economic Development
Montana House of Representatives
State Capitol
Helena, Montana 59620

Dear Mr. Chairman:

I am writing to express my concern about HB 258, which would amend Montana law concerning motor vehicle manufacturers' reimbursement to their dealers for parts used and labor performed under warranty. If this bill is enacted as introduced, it will have an adverse impact on manufacturers of medium- and heavy-duty trucks (those over 10,000 pounds GVWR) without benefitting dealers who sell such trucks.

Concerning parts used in warranty repairs, HB 258 would require the manufacturer to reimburse the dealer "at the same rate the dealer charges to its retail customers." While the intent of this language seems laudable, it is totally inapplicable to the medium- and heavy-duty truck market.

Contrary to the situation in the light-duty vehicle market, where there appears to be a considerable difference between the prices at which manufacturers reimburse their dealers for warranty parts and the prices dealers charge retail customers for the same parts in repairs not under warranty, few. if any, truck parts are sold to customers at full retail price. Most heavy-duty vehicle owners operate fleets of trucks, purchase some vehicles every year and, because of high mileage, generate a significant amount of repair work.

For these reasons, heavy-duty manufacturers typically recommend discounts from retail prices to fleet customers on parts sold outside warranty. These discount prices are published in parts price books that are provided not only to dealers but also to customers. As a result, a heavy-duty vehicle customer knows the discounted price of any given part and may bargain to get the best price. In addition, the heavy-duty parts market is highly competitive because vehicle manufacturers themselves manufacture only 20-40% of the completed vehicle and truck manufacturers sell parts in direct competition with the parts suppliers.

Because of this customer leverage and competition from parts suppliers, Navistar's fleet discount parts prices are in the

range of 20-30% markup over dealer net--the price the dealer pays when the part is originally stocked--compared to the 40% retail markup that is more typical in the automobile/light truck market. Navistar's standard dealer reimbursement for parts used in warranty repairs is the dealer net price plus 26%. Thus, Navistar's dealers already often earn more on warranty parts than they do on parts sold to retail customers.

As for <u>labor</u>, Navistar has developed, in conjunction with its dealers, a list of scheduled repair procedures for warranty work. Rather than be forced to pay according to schedules in the books cited in HB 258, Navistar would prefer to be able to reimburse dealers according to its own schedules—which the dealers have already agreed are reasonable.

It appears that HB 258 has been drafted to remedy perceived problems in the light-duty vehicle market and is inappropriate when applied to the commercial vehicle market. For this reason, Navistar requests that the bill be amended to exampt warranty repairs on vehicles over 10,000 pounds GVWR from its provisions. If this is not agraeable, Navistar would strongly suggest amending the parts language to require manufacturers only to reimburse dealers on warranty parts and labor at the same prices and rates charged to other customers.

Thank you for your consideration of our views on this matter. If you have any questions, please do not hesitate to contact me at (312) 836-2646.

Sinceraly yours,

Thomas L. Trueblood

Manager, Public Affairs Programs

Thomas L. Time Clark

EXHIBIT 2-14-91
DATE 258

Frankit #13

MY NAME IS AL THOMAS, AND I REPRESENT GENERAL MOTORS AS ITS DIRECTOR OF CONSUMER RELATIONS AND SERVICE. WE APPRECIATE THIS OPPORTUNITY TO APPEAR AND PROVIDE YOU OUR INPUT ON HOUSE BILL 258.

AT THE OUTSET, LET ME ASSURE YOU THAT GM INTENDS TO ABIDE BY STATE AND FEDERAL LAWS WHEREVER IT DOES BUSINESS, INCLUDING MONTANA.

WE COMPLY WITH MONTANA LAW AS IT EXISTS CURRENTLY, AND THAT LAW IS FAIR TO GM. GM DEALERS AND GM VEHICLE OWNERS.

HOUSE BILL 258 IN OUR OPINION WILL MAKE MONTANA LAW DECIDEDLY UNFAIR, BOTH FOR GM AND MONTANA CONSUMERS.

HOUSE BILL 258 PROVIDES AT SECTION 1, PARAGRAPH (4) THAT:

THE MANUFACTURER MUST COMPENSATE AN AUTHORIZED DEALER
FOR LABOR, PARTS, AND OTHER EXPENSES INCURRED BY A DEALER
WHO PERFORMS WORK TO RECTIFY THE MANUFACTURER'S PRODUCT OR
WARRANTY DEFECT OR FOR DELIVERY AND PREPARATION OBLIGATIONS
AT THE SAME RATE THE DEALER CHARGES TO ITS RETAIL CUSTOMERS
FOR NON-WARRANTY WORK OF A LIKE KIND,

..., BASED UPON RETAIL FLAT RATE LABOR TIME GUIDES

CONTAINED IN THE MOST RECENT VOLUMES OF MOTORS, MITCHELL, OR

CHILTON MANUALS.

OUR FIRST CONCERN WITH THIS LANGUAGE IS THE REFERENCE TO:
REIMBURSEMENT FOR "PARTS....AT THE SAME RATE THE DEALER CHARGES
FOR NON-WARRANTY WORK...."

GM REIMBURSES DEALERS AT THEIR COST +30% FOR PARTS USED IN CONNECTION WITH WARRANTY REPAIRS. IN OUR OPINION THIS MARKUP COMPENSATES DEALERS AT THE SAME RATE AS THE AVERAGE MARKUP OF ALL PARTS SOLD BY THE DEALER TO NON-WARRANTY CUSTOMERS. DEALERS HAVE SEVERAL CLASSES OF CUSTOMERS RANGING FROM OFF THE STREET STRANGERS TO LOCAL GARAGES, RELATIVES, FLEET CUSTOMERS, LOCAL BUSINESS CUSTOMERS, ETC.

GM IS A SIZEABLE "CAPTIVE" CUSTOMER UNDER WARRANTY.

NATIONALLY, WARRANTY REPAIRS REPRESENT 25 PERCENT OF TOTAL GM

DEALER SERVICE SALES. AND GM HAS CHOSEN TO LIMIT PERFORMANCE OF WARRANTY REPAIRS ONLY TO AUTHORIZED GM DEALERS. THAT MEANS

DEALERS HAVE NO COMPETITION WHEN PERFORMING GM WARRANTY SERVICE. THEY HAVE NO ADVERTISING EXPENSE TO GAIN THIS BUSINESS.

INVENTORY EXPENSES IN A WELL RUN PARTS DEPARTMENT, CAN BE HELD TO A MINIMUM. NORMALLY PARTS USED IN WARRANTY REPAIRS WILL FLOW THROUGH WITH LITTLE OR NO SHELF LIFE. IN FACT, DEALERS TAKING ADVANTAGE OF BULK ORDERING, TARGET MASTER DISCOUNTS, STOCK ORDER ALLOWANCES, AND PARTS RETURN ALLOWANCES, CAN LOWER THEIR PER PART COSTS TO WHERE A 30 PERCENT MARKUP CAN EQUAL 40 PERCENT OR MORE, A PROFIT MARGIN THAT IS ACCEPTABLE TO MOST BUSINESSES.

DATE 2-14-91 HB 258

HB 258 ALSO LEAVES A HUGE LOOPHOLE FOR PRICE GOUGING IN THAT NOWHERE DOES IT STATE THE PRICE CHARGED BY THE DEALER FOR NON-WARRANTY WORK MUST BE REASONABLE. IF A DEALER DECIDED TO IGNORE COMPETITION AND MARK PARTS UP 1,000 PERCENT FOR NON-WARRANTY CUSTOMERS, GM WOULD HAVE TO PAY THAT MARK-UP FOR WARRANTY REPAIRS ACCORDING TO HB 258. THE DEALER'S NON-WARRANTY CUSTOMERS OF COURSE WOULD GO ELSEWHERE. BUT GM AS A CAPTIVE CUSTOMER UNDER WARRANTY WOULD HAVE TO PAY.

THE OTHER LANGUAGE WE FIND ESPECIALLY HARMFUL IS THAT DEALERS WILL BE REIMBURSED BY GM FOR WARRANTY LABOR:

..., BASED UPON RETAIL FLAT RATE LABOR TIME GUIDES

CONTAINED IN THE MOST RECENT VOLUMES OF MOTORS, MITCHELL, OR

CHILTON MANUALS.

GM AND ITS DEALERS HAVE A WRITTEN AGREEMENT BY WHICH DEALERS

ARE REQUIRED TO USE GM LABOR TIME GUIDES AS THE BASIS FOR

WARRANTY HOURLY LABOR CHARGES. THERE IS A GOOD REASON FOR THIS.

GM LABOR TIME ALLOWANCES IN THESE LABOR TIME GUIDES ARE
ARRIVED AT THROUGH ACTUAL LABOR TIME STUDIES PERFORMED BY AVERAGE
TECHNICIANS USING ONLY HAND TOOLS. ADDITIONAL TIME IS ADDED TO
ALLOW FOR MOVING THE VEHICLE IN AND OUT OF A MECHANIC'S WORK
STALL, DIAGNOSIS AND SECURING PARTS. ON THE RARE OCCASIONS WHEN
GM AND OTHER MANUFACTURERS' LABOR TIME GUIDES HAVE BEEN
CHALLENGED, THE RESULT FOR GM HAS ALWAYS BEEN A FINDING THAT OUR

LABOR TIME GUIDES MORE ACCURATELY REFLECT THE ACTUAL, CLOCKED
LABOR TIMES NEEDED TO ADEQUATELY PERFORM REPAIRS AND THAT
INDEPENDENT LABOR TIME GUIDES, COMMONLY USED TO CALCULATE
CUSTOMER PAID REPAIRS, PROVIDE EXCESSIVE ALLOWANCES COMPARED TO
REAL WORLD CLOCK TIMES.

OUR OWN INVESTIGATIONS OF INDEPENDENTLY PUBLISHED LABOR TIME GUIDES OVER THE YEARS HAVE SHOWN THAT THEY PROVIDE AN AVERAGE OF 38 TO 40 PERCENT MORE TIME ALLOWANCE THAN THE SAME LABOR OPERATIONS LISTED IN GM TIME GUIDES:

SOME GOOD EXAMPLES ARE PROVIDED ON THE ART BOARDS BEING HELD BY MY COLLEAGUE (ATTACHED).

THE POINT WE ARE MAKING IS -- WHICH ONE IS CORRECT? AS SHOWN IN OUR EXAMPLES, THE \$40 PER HOUR LABOR CHARGE REMAINED CONSTANT. ONLY THE TIME TO REPAIR CHANGED. WHAT IS THE FAIR AMOUNT OF TIME? THAT IS THE CRITICAL QUESTION, BECAUSE NEITHER GM NOR MONTANA CONSUMERS SHOULD PAY ONE NICKEL MORE THAN WHAT IS FAIR.

AS I SAID, GM LABOR TIME GUIDES ARE BASED ON REAL MECHANICS
DOING ACTUAL TIME STUDIES USING HAND TOOLS.

OUR INVESTIGATION OF INDEPENDENT TIME GUIDES HAS REVEALED
FEW INSTANCES WHERE ACTUAL TIME STUDIES WERE PERFORMED. BY THEIR

DATE 2-14-91 HB 258

OWN ADMISSION, MOST INDEPENDENTS FIRST REVIEW GM DIVISION LABOR
TIME GUIDES, THEN SURVEY REPAIR SHOPS AROUND THE COUNTRY, BOTH
INDEPENDENT AND AUTHORIZED DEALERS, AND AVERAGE THE TIMES. MOST
DO NO AUDITING OR VALIDATING OF THE TIMES REPORTED TO THEM.

MY COLLEAGUE IS HOLDING AN ART BOARD WITH A DIRECT
QUOTE FROM THE CHILTON MANUAL AND ANOTHER FROM MOTORS
(ATTACHED).

GENERALLY, INDEPENDENT PUBLISHERS MAINTAIN THAT THE REASON
THEIR TIMES ARE HIGHER THAN THE GM PUBLISHED TIMES IS THAT THEY
SELL MOST OF THEIR MANUALS TO INDEPENDENT REPAIR SHOPS AND
SERVICE STATIONS. THESE INDEPENDENTS MAY NOT HAVE THE SPECIAL
TOOLS, SPECIAL TRAINING, OR THE BENEFIT OF PERFORMING VARIOUS
REPAIRS ON AS FREQUENT A BASIS AS DO DEALERSHIP MECHANICS.
WHEREAS A DEALER MECHANIC MAY PERFORM A CERTAIN REPAIR FIVE TIMES
A WEEK, THE INDEPENDENT MAY PERFORM THAT SAME REPAIR FIVE TIMES A
YEAR.

IF GM DEALERS BELIEVE THE TIME LISTED IN A GM DIVISIONAL LABOR TIME GUIDE IS TOO LOW THEY CAN SUBMIT A FORM TO US CALLED A "REQUEST FOR REVIEW" SHOWING THE RESULTS OF DEALER TIME STUDIES DONE IN THE SHOP. GM THEN REVIEWS THE ORIGINAL TIME STUDIES FOR VERIFICATION. IN 1990 GM RECEIVED ONLY ONE SUCH REQUEST FROM MONTANA DEALERS, ALTHOUGH THERE ARE 73 GM DEALERS IN MONTANA.

AND BEAR IN MIND THAT THERE ARE MORE THAN 38,000 LABOR OPERATIONS COVERING GM CAR AND TRUCK REPAIRS IN GM LABOR TIME GUIDES.

IF ONE WERE TO CAST A CYNICAL EYE ON THE BUSINESS OF PUBLISHING LABOR TIME GUIDES AS A PROFITABLE ENDEAVOR, ONE COULD SIMPLY BUY THE LABOR TIME GUIDES IN EXISTENCE, FIND THE HIGHEST LABOR TIME ALLOWANCE FOR EACH OPERATION PUBLISHED, ADD A HALF HOUR TO THE TIME ALLOWED AND PUBLISH A NEW MANUAL. THE RESULTING NEW LABOR TIME GUIDE WOULD BECOME AN INSTANT BEST SELLER. AFTER ALL, IT IS NOT UNCOMMON FOR DEALERS AND OTHER REPAIR SHOPS TO SHOW CONSUMERS THE LABOR TIME GUIDE BIBLE TO PROVE IT TAKES X NUMBER OF HOURS TO COMPLETE A REPAIR.

HB 258 HAS THE POTENTIAL TO ABUSE MONTANA CONSUMERS BY GIVING OFFICIAL SANCTION TO THE INFLATED LABOR TIMES FOUND IN INDEPENDENT LABOR TIME GUIDES THAT BY THEIR PUBLISHERS' OWN ADMISSION SHOULD NOT BE CONSIDERED OFFICIAL.

IN CONTRAST, THE FACTORY LABOR TIMES TO WHICH DEALERS HAVE
CONTRACTUALLY AGREED, ARE BASED ON ACTUAL TIME STUDIES. THEY ARE
FAIR TO CONSUMERS, DEALERS, THEIR MECHANICS AND GM.

HOW DOES REQUIRING USE OF NON-GM TIME GUIDES HARM CONSUMERS, DEALERS AND GM?

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IN ADDITION TO THE LABOR TIME GOUGING ALREADY MENTIONED,
WARRANTY EXPENSES ARE COSTS WHICH ARE COMMONLY PASSED ON TO
CONSUMERS IN THE PRICES CHARGED FOR PRODUCTS. THUS, CONSUMERS
WOULD OF NECESSITY BE CHARGED HIGHER PRICES FOR NEW GM VEHICLES
IN MONTANA AS A RESULT OF REQUIRING GM TO PAY LABOR RATES
INFLATED THROUGH THE USE OF INDEPENDENT, NON-GM LABOR TIME
GUIDES. WE BELIEVE OUR COSTS FOR WARRANTY LABOR WILL INCREASE IN
MONTANA BY AT LEAST 38 PERCENT.

HOW WILL THIS HARM DEALERS?

PASSING WARRANTY LABOR COSTS ON WILL INCREASE THE COST OF GM
VEHICLES SHIPPED TO DEALERS IN MONTANA. THE PROBLEMS OUR
INDUSTRY AND DEALERS ARE GOING THROUGH RIGHT NOW AS A RESULT OF
THE CURRENT RECESSION AND PERSIAN GULF ACTIVITIES ARE NO SECRET.
ANY ACTION WHICH CAUSES UPWARD PRESSURE ON VEHICLE PRICES
ULTIMATELY STANDS TO HARM GM DEALERS. DEALERS LOCATED NEAR THE
BORDERS OF MONTANA WILL INSTANTLY BE AT A PRICE DISADVANTAGE
COMPARED TO DEALERS IN BORDERING STATES. IN ADDITION, ANYTHING
WHICH INCREASES THE COSTS OF GM VEHICLES ALSO TENDS TO LENGTHEN
THE VEHICLE REPLACEMENT CYCLE AND REDUCE THE NUMBER OF DEALER NEW
VEHICLE PURCHASERS EACH YEAR. AS DEALERS SEE FEWER NEW VEHICLE
PURCHASERS THEY WILL BE FORCED TO TRY AND MAKE MORE PROFIT PER
VEHICLE SOLD. CONSUMERS WILL PAY MORE AND THE NUMBER OF
PURCHASERS EACH YEAR WILL CONTINUE TO SHRINK AS A RESULT OF THIS
COST/PRICE SPIRAL.

HOW WOULD HB 258 HARM GM?

GM, AS A CAPTIVE CUSTOMER UNDER WARRANTY, ACCOUNTS FOR 25%

OF THE REPAIRS PERFORMED BY GM DEALERS NATIONALLY. THIS

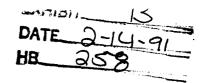
LEGISLATION UNFAIRLY SINGLES OUT ONE DEALER CUSTOMER TO SUBSIDIZE

ALL OF THE REST.

DEALERS OFTEN ARGUE THAT AS WARRANTIES HAVE INCREASED IN LENGTH, MANUFACTURERS HAVE SHIFTED EXPENSES TO THEM. IN FACT, WARRANTY SERVICE AS A PERCENT OF TOTAL DEALER SERVICE SALES HAS REMAINED AT 25 PERCENT NATIONALLY SINCE 1985, EVEN THOUGH OUR WARRANTY HAS GONE FROM 12/12 ON THE WHOLE VEHICLE AND 24/24 ON THE POWERTRAIN TO 6/60 ON THE POWERTRAIN, TO THE CURRENT 36/50 (48/50 ON CADILLACS) ON THE WHOLE VEHICLE.

HIGHER WARRANTY COSTS RESULTING IN HIGHER PRICES FOR MONTANA
DEALERS AND MONTANA CONSUMERS WOULD ULTIMATELY HARM GM BY
REDUCING THE NUMBER OF NEW VEHICLES SOLD HERE ANNUALLY. IN
ADDITION, WE WOULD BE UNABLE TO RECOUP THE INCREASED EXPENSE
IMPOSED FOR LABOR PERFORMED ON VEHICLES ALREADY SOLD, YET WELL
WITHIN THE WARRANTY PERIOD. SUCH EXPENSES WOULD HAVE TO COME OUT
OF EVEN HIGHER NEW VEHICLE PRICES OR CURRENT PROFITS WHICH, IF
YOU FOLLOW THE NEWS, ARE ALREADY SEVERELY CHALLENGED.

AND THERE IS AT LEAST ONE IMPORTANT LEGAL ISSUE RAISED BY THIS PROPOSAL. GM DEALERS IN MONTANA HAVE ALL FREELY SIGNED A



NEW SALES AND SERVICE AGREEMENT WHICH WAS EFFECTIVE NOVEMBER 1, 1990 AND RUNS THROUGH OCTOBER 31, 1995. THIS AGREEMENT REQUIRES THAT GM LABOR TIME GUIDES WILL BE UTILIZED FOR GM WARRANTY REPAIRS. THAT CONTRACT WOULD BE CONTRAVENED BY FORCING GM TO ACCEPT INDEPENDENT LABOR TIME GUIDES TO FIGURE LABOR CHARGES ON WARRANTY CLAIMS.

DEALERS MAY SOMETIMES PRETEND THAT THEY HAVE NO CHOICE BUT

TO SIGN THE DEALER AGREEMENT, THAT THEY HAVE NO INPUT -- THE

POPULAR NOTION IS THAT GOLIATH GM CONTROLS POOR DAVID THE DEALER.

LADIES AND GENTLEMEN, THIS IS NOT 1947 IT IS 1991 AND I CAN ASSURE YOU THE TABLES HAVE COMPLETELY TURNED. DEALERS IN FACT HAVE THE UPPER HAND WHEN IT COMES TO THEIR LOCAL STATE LEGISLATURES AND IN THE MARKETPLACE TOO. GM IS NOT THE ONLY GAME IN TOWN. WE ARE IN COMPETITION NOT ONLY WITH FORD AND CHRYSLER BUT WITH A NUMBER OF STAUNCH COMPETITORS FROM EUROPE AND JAPAN. WE ARE ALL FIGHTING FOR SHELF SPACE. AND DEALERS, SITTING IN THE CAT BIRD SEAT, HAVE THE SHELF SPACE. THE 1990 GM DEALER SALES AND SERVICE AGREEMENT WAS THE RESULT OF MANY MEETINGS WITH THE NATIONAL AUTO DEALERS ASSOCIATION, LOCAL DEALER GROUPS, AND DIVISIONAL DEALER COUNCIL OFFICERS ELECTED BY THEIR PEERS. IT WASN'T SIMPLY A ONE WAY COMMUNICATION. THE NATIONAL AUTO DEALERS ASSOCIATION PRAISED THE PROCESS LEADING TO THE NEW GM DEALER AGREEMENT AS A MILESTONE IN DEALER FACTORY COMMUNICATIONS AND COOPERATION. THIS IS NOT TO SAY THAT DEALERS ARE NOT

EXPERIENCING PROFIT PROBLEMS RIGHT NOW. BUT A SHORT TERM FIX AT THE MANUFACTURER'S EXPENSE, USING UNPROVEN AND UNTESTED LABOR TIME GUIDES AS PROVIDED FOR IN HB 258, WILL CREATE LONG TERM PROBLEMS, NEEDLESSLY INFLATED PRICES AND INCREASED FINANCIAL DIFFICULTY FOR CONSUMERS ATTEMPTING TO PURCHASE NEW CARS AND TRUCKS, OR GET OLDER ONES SERVICED.

ONE FACTOR CAUSING DEALERS TO PURSUE HIGHER WARRANTY PARTS
AND LABOR REIMBURSEMENT IS THAT AS GM PRODUCT QUALITY HAS
IMPROVED, LESS WARRANTY WORK IS BEING PERFORMED. DEALERS
NATIONALLY ARE SCRAMBLING TO GET MORE OF THE RETAIL/CUSTOMER PAY
SERVICE BUSINESS WHICH HAS GONE TO INDEPENDENTS OVER THE LAST 1020 YEARS. WE HAVE SEVERAL PROJECTS WORKING IN GM TO TRY TO COME
UP WITH WAYS TO ASSIST DEALERS IN RECAPTURING THIS BUSINESS AND
FILL THE EMPTY MECHANICAL STALLS IN THEIR SHOPS. RAISING COSTS
FOR CONSUMERS AND CAPTIVE MANUFACTURERS IN LIEU OF GOING AFTER
NEW BUSINESS SIMPLY MASKS THE NEED FOR RETAIL COMPETITIVENESS,
AND DEALERS KNOW THAT.

WE RESPECTFULLY REQUEST THAT THIS COMMITTEE DO WHAT IS RIGHT FOR MONTANA CONSUMERS BY REJECTING THE LANGUAGE I'VE REFERRED TO AND VOTE AGAINST HB 258.

THANK YOU.

2x, 13 5 2-14-91 448 25-8

FRONT SUSPENSION CONTROL ARM, REPLACE 1989 OLDSMOBILE 98 TOURING SEDAN LABOR RATE = \$40.00/HOUR

	GM L.T.G.	CHILTON	MITCHELL	MOTORS
HOURLY LABOR CHARGE	\$40.00	\$40.00	\$40.00	\$40.00
TIME	.7 HRS.	1.0 HRS.	.9 HRS.	1.0 HRS.
PRICE	\$28.00	\$40.00	\$36.00	\$40.00
% DIFFERENCE		+43%	+29%	+43%

WHAT SHOULD IT COST THE CONSUMER?

EXHIBIT_

<a>K

2-14-91 HB 258

1989 BUICK SKYHAWK REPLACE WATER PUMP LABOR RATE = \$40.00/HOUR

	GM L.1.G.	CHILION	MIICHELL	MOIORS
HOURLY LABOR CHARGE	\$40.00	\$40.00	\$40.00	\$40.00
TIME	.7 HRS.	1.3 HRS.	1.0 HRS.	1.3 HRS.
PRICE	\$28.00	\$52.00	\$40.00	\$52.00
% DIFFERENCE	·	+82%	+43%	+85%

WHAT SHOULD IT COST THE CONSUMER?

1990 CHEVROLET CAMARO REPLACE FUEL PUMP (IN TANK) LABOR RATE = \$40.00/HOUR

13 2-14-91 58				
EXHIBIT_ DATE_& HB_&S	CONSUMER?	IT COST THE CONSUMER?	WHAT SHOULD I	WHA
+ 44%	+ 52%	+44%		% DIFFERENCE
\$144.00	\$152.00	\$144.00	\$100.00	PRICE
3.6 HRS.	3.8 HRS.	3.6 HRS.	2.5 HRS.	TIME
\$40.00	\$40.00	\$40.00	\$40.00	HOURLY LABOR CHARGE
MOTORS	MITCHELL	CHILTON	GM L.T.G.	

WHAT SHOULD IT COST THE CONSUMER?

5x, 13 2-14-9, ttb 258

1990 CHEVROLET CAPRICE REPLACE GENERATOR/ALTERNATOR LABOR RATE = \$40.00/HOUR

	GM L.T.G.	CHILTON	MITCHELL	MOTORS
HOURLY LABOR CHARGE	\$40.00	\$40.00	\$40.00	\$40.00
TIME	.5 HRS.	.8 HRS.	.7 HRS.	.7 HRS.
PRICE	\$20.00	\$32.00	\$28.00	\$28.00
% DIFFERENCE		%09+	+ 40%	+40%

WHAT SHOULD IT COST THE CONSUMER?

EXHIBIT 13

DATE 2-14-91

HB 258

the working conditions and tools available, and the condition times to perform an operation will, of course, vary according to such factors as the skill and motivation of the mechanic, the operations indicated in any particular instance. Actual customers. CHILTON TIME is not intended for use as an indication of the actual time required to perform any of meaningful data to the auto service profession and its This Manual is published in an attempt to provide of the vehicle.

Source: "Chilton Time"

Chilton's 1990 Labor Guide and Parts Manual

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mechanic, working under average conditions and following operation a sufficient number of times under normal shop The times reported in this publication are to be used as a GUIDE ONLY. The times reported are principally based conditions to establish the requirements of the average on data reported by vehicle manufacturers who have procedures outlined in their service manuals and the "Operational Times" explanation listed in this guide. arrived at them by repeated pérformance of each

Source: Motor Crash Estimating Guide

Labor Operation Times
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The Hearst Corporation
New York, NY 10019

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Steve Libroth	Hjelms Rody Shop		
B.11 Van Donsel	Main Anto body	/	
Kæg Ogren	Buterroot nota	<u></u>	
Mike Orimes	Montana Auto Dealers	u	
PAN HARRAKKER	Vo-Tach InsTR	<i>.</i>	
Jon WALKER	MONTANA AND DRAKERS	1/	
DON BAHL	GRINES MTRS		
E.G. LEIPHEIMER	Discovery Buck	/	·
DAN RICE	Rice Motors		
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