

1 *Senate* BILL NO. *223*
 2 INTRODUCED BY *Deane Thomas Story Groden*
 3 *Turnage*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE THE BOARD
 5 OF INVESTMENTS TO PURCHASE MORTGAGES INSURED BY A QUALIFIED
 6 PRIVATE MORTGAGE INSURER; AMENDING SECTION 79-310, R.C.M.
 7 1947."
 8

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 79-310, R.C.M. 1947, is amended to
 11 read as follows:

12 "79-310. Permissible investments. (1) The following
 13 securities are permissible investments for all investment
 14 funds referred to in 79-309, except as indicated:

15 (a) any securities authorized to be pledged to secure
 16 deposits of public funds under 79-307 of this act;

17 (b) bonds, notes, debentures, equipment obligations,
 18 or any other kind of absolute obligation of any corporation
 19 organized and operating in any state of the United States,
 20 or in Canada if the obligations purchased are payable in
 21 United States dollars; provided that all investments under
 22 subsection (b) must be rated by one ~~(1)~~ nationally
 23 recognized rating agency among the top third of their
 24 quality categories, not applicable to defaulted bonds;

25 (c) commercial paper of prime quality, as defined by

1 one (1) nationally recognized rating agency, issued by any
 2 corporation organized and operating in any state of the
 3 United States, provided that:

4 (i) such securities mature in ~~two-hundred-seventy~~
 5 ~~(270)~~ days or less; and

6 (ii) the issuing corporation, or the parent company of
 7 a finance subsidiary issuing commercial paper, at the time
 8 of the last financial reporting period, had a ratio of
 9 current assets to current liabilities, including among
 10 current liabilities long-term debt maturing within ~~one-(1)~~
 11 year, of at least ~~one-and-one-half-(1 1/2)~~ to ~~one-(1)~~; and
 12 had received net income averaging ~~one \$1 million dollars~~
 13 ~~(\$1,000,000)~~ or more annually for the preceding ~~five-(5)~~
 14 years; and

15 (iii) no investment may be made at any time under
 16 subsection (c) which would cause the book value of such
 17 investments in any investment fund to exceed ~~ten-percent~~
 18 ~~(10%)~~ of the book value of such fund, or would cause the
 19 commercial paper of any one corporation to exceed ~~two~~
 20 ~~percent-(2%)~~ of the book value of such fund;

21 (d) bankers' acceptances guaranteed by any bank having
 22 its principal office in any state of the United States and
 23 having deposits in excess of ~~five-hundred-million-dollars~~
 24 ~~(\$500,000,000)~~ \$500 million;

25 (e) interest-bearing deposits in banks, building and

1 loan associations, and savings and loan associations located
 2 in the state of Montana, provided, however, that the board
 3 of investments shall require pledged securities as specified
 4 in section 79-301; interest on said deposits shall not be
 5 less than the prevailing rate of interest being paid on
 6 deposits of private funds;

7 (f) unencumbered real property and first mortgages on
 8 unencumbered real property, provided that:

9 (i) no such mortgage shall ~~may~~ be purchased unless:

10 (A) the principal amount of the loan secured by the
 11 mortgage is ~~seventy-five-percent-(75%)~~ 80% or less of the
 12 appraised value of the property; or

13 ~~(B) the principal amount of the loan secured by the~~
 14 ~~mortgage exceeds 80% of the appraised value of the property~~
 15 ~~but the amount of the loan in excess of 80%, determined at~~
 16 ~~the time the loan was made, is guaranteed or insured by a~~
 17 ~~mortgage insurance company which the board of investments~~
 18 ~~has determined to be a qualified private insurer; or~~

19 ~~(C)~~ (C) thirty-percent--(30%) or more of the loan
 20 secured is guaranteed or insured in the event of default by
 21 the United States of America or an agency thereof; or

22 ~~(D)~~ (D) the mortgagor has leased the mortgaged property
 23 to a person, firm, or corporation whose rental payments
 24 under th. lease are guaranteed for the full term of the loan
 25 by an agency of the United States; and

1 (ii) no investment shall be made at any time under
 2 subsection (f) which would cause the book value of such
 3 investments in any investment fund to exceed ~~fifty-percent~~
 4 ~~{50%}~~ of the book value of such fund.

5 (2) Investments from the pooled investment fund, shall
 6 be restricted to fixed income securities described in
 7 subsections (a) to (e) above.

8 (3) Retirement funds, only, may be invested in
 9 preferred and common stocks of any corporation organized and
 10 operating in any state of the United States, provided that:

11 (a) the corporation has assets of a value not less
 12 than ~~ten-million-dollars-(\$10,000,000)~~ \$10 million; and

13 (b) if the investment is preferred stock, the
 14 corporation's aggregate earnings available for payment of
 15 interest and preferred dividends, for a period of five (5)
 16 consecutive years immediately before the date of investment,
 17 have been at least ~~one-and-one-half-}(1 1/2)~~ times the
 18 aggregate of interest and preferred dividends required to be
 19 paid during this period; and

20 (c) if the investment is common stock,

21 (i) the stock has paid cash dividends in each of at
 22 least ~~five-(5)~~ years immediately before it is purchased; and

23 (ii) the aggregate earnings of the corporation during
 24 this period which were available for payment of dividends on
 25 common stock were at least equal to the aggregate of the

1 cash dividends paid thereon; and

2 (iii) not more than ~~two-percent-(2%)~~ of the assets of
3 any retirement fund may be invested in common stocks or in
4 fixed income securities convertible into common stock not
5 conforming to the dividend and earnings standards stated in
6 paragraphs (i) and (ii) above, so long as the corporation
7 maintains the asset value required in subsection (a) and
8 evidences appropriate growth potential and probable earnings
9 gain; and

10 (d) no investment may be made at any time under
11 subsection (3) which would cause the book value of such
12 investments in any retirement fund to exceed ~~twenty--percent~~
13 ~~{20%}~~ of the book value of such fund, or would cause the
14 stock of one corporation to exceed ~~one-percent-{1%}~~ of the
15 book value of such retirement fund.

16 (4) The state board of investments shall endeavor to
17 direct the state's investment business to those investment
18 firms, and/or banks, which maintain offices in the state and
19 thereby make contributions to the state economy. Further,
20 due consideration shall be given to investments which will
21 benefit the smaller communities in the state of Montana. The
22 state's investment business will be directed to out-of-state
23 firms only when there is a distinct economic advantage to
24 the state of Montana."

-End-

STATE OF MONTANA

REQUEST NO. 546-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 10, 19 77, there is hereby submitted a Fiscal Note for SB 223 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 223 authorizes the board of investments to purchase mortgages insured by a qualified private mortgage insurer.

FISCAL IMPACT:

None.

Richard L. Franke
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-26-77

Approved by Committee
on Business and Industry

SENATE BILL NO. 223

INTRODUCED BY DEVINE, THOMAS, STORY, GOODOVER, TJRNAGE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE THE BOARD OF INVESTMENTS TO PURCHASE MORTGAGES INSURED BY A QUALIFIED PRIVATE MORTGAGE INSURER, AND FIRST MORTGAGE PARTICIPATIONS; REVISING DOWN PAYMENT AND INSURANCE REQUIREMENTS FOR ELIGIBLE MORTGAGE PAPER; AMENDING SECTION 79-310, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 79-310, R.C.M. 1947, is amended to read as follows:

"79-310. Permissible investments. (1) The following securities are permissible investments for all investment funds referred to in 79-309, except as indicated:

(a) any securities authorized to be pledged to secure deposits of public funds under 79-307 of this act;

(b) bonds, notes, debentures, equipment obligations, or any other kind of absolute obligation of any corporation organized and operating in any state of the United States, or in Canada if the obligations purchased are payable in United States dollars; provided that all investments under subsection (b) must be rated by one ~~{}~~ nationally recognized rating agency among the top third of their

quality categories, not applicable to defaulted bonds;

(c) commercial paper of prime quality, as defined by one (1) nationally recognized rating agency, issued by any corporation organized and operating in any state of the United States, provided that:

(i) such securities mature in ~~two--hundred--seventy~~ ~~{270}~~ days or less; and

(ii) the issuing corporation, or the parent company of a finance subsidiary issuing commercial paper, at the time of the last financial reporting period, had a ratio of current assets to current liabilities, including among current liabilities long-term debt maturing within ~~one--{1}~~ year, of at least ~~one--and--one--half--{1 1/2}~~ to ~~one--{1}~~; and had received net income averaging ~~one \$1 million dollars~~ ~~{\$1,000,000}~~ or more annually for the preceding ~~five--{5}~~ years; and

(iii) no investment may be made at any time under subsection (c) which would cause the book value of such investments in any investment fund to exceed ~~ten--percent~~ ~~{10%}~~ of the book value of such fund, or would cause the commercial paper of any one corporation to exceed ~~two percent--{2%}~~ of the book value of such fund;

(d) bankers' acceptances guaranteed by any bank having its principal office in any state of the United States and having deposits in excess of ~~five--hundred--million--dollars~~

1 ~~(\$500,000,000)~~ \$200 million;

2 (e) interest-bearing deposits in banks, building and
3 loan associations, and savings and loan associations located
4 in the state of Montana, provided, however, that the board
5 of investments shall require pledged securities as specified
6 in section 79-301; interest on said deposits shall not be
7 less than the prevailing rate of interest being paid on
8 deposits of private funds;

9 (f) unencumbered real property, and first mortgages
10 AND PARTICIPATIONS IN FIRST MORTGAGES on unencumbered real
11 property, provided that:

12 (i) no such mortgage OR MORTGAGE PARTICIPATION shall
13 may be purchased unless:

14 (A) the principal amount of the loan secured by the
15 mortgage OR MORTGAGE PARTICIPATION is seventy-five-percent
16 ~~(75%)~~ 80% or less of the appraised value of the property; or

17 ~~(B) the principal amount of the loan secured by the~~
18 mortgage OR MORTGAGE PARTICIPATION exceeds 80% of the
19 appraised value of the property but the amount of the loan
20 in excess of 80%, determined at the time the loan was made,
21 is guaranteed or insured by a mortgage insurance company
22 which the board of investments has determined to be a
23 qualified private insurer; or

24 ~~(B)(1) thirty-percent (30%)~~ 25% or more of the loan OR
25 PARTICIPATION THEREIN secured is guaranteed or insured in

1 the event of default by the United States of America or an
2 agency thereof; or

3 ~~(C)(1)~~ the mortgagor has leased the mortgaged property
4 to a person, firm, or corporation whose rental payments
5 under the lease are guaranteed for the full term of the loan
6 OR PARTICIPATION THEREIN by an agency of the United States;
7 and

8 (ii) no investment shall be made at any time under
9 subsection (f) which would cause the book value of such
10 investments in any investment fund to exceed fifty-percent
11 ~~(50%)~~ of the book value of such fund.

12 (2) Investments from the pooled investment fund, shall
13 be restricted to fixed income securities described in
14 subsections (a) to (e) above.

15 (3) Retirement funds, only, may be invested in
16 preferred and common stocks of any corporation organized and
17 operating in any state of the United States, provided that:

18 (a) the corporation has assets of a value not less
19 than ten-million-dollars ~~(\$10,000,000)~~ \$10 million; and

20 (b) if the investment is preferred stock, the
21 corporation's aggregate earnings available for payment of
22 interest and preferred dividends, for a period of five (5)
23 consecutive years immediately before the date of investment,
24 have been at least one-and-one-half ~~(1 1/2)~~ times the
25 aggregate of interest and preferred dividends required to be

1 paid during this period; and
 2 (c) if the investment is common stock,
 3 (i) the stock has paid cash dividends in each of at
 4 least ~~five~~{5} years immediately before it is purchased; and
 5 (ii) the aggregate earnings of the corporation during
 6 this period which were available for payment of dividends on
 7 common stock were at least equal to the aggregate of the
 8 cash dividends paid thereon; and
 9 (iii) not more than ~~two-percent~~{2%} of the assets of
 10 any retirement fund may be invested in common stocks or in
 11 fixed income securities convertible into common stock not
 12 conforming to the dividend and earnings standards stated in
 13 paragraphs (i) and (ii) above, so long as the corporation
 14 maintains the asset value required in subsection (a) and
 15 evidences appropriate growth potential and probable earnings
 16 gain; and
 17 (d) no investment may be made at any time under
 18 subsection (3) which would cause the book value of such
 19 investments in any retirement fund to exceed ~~twenty~~--percent
 20 {20%} of the book value of such fund, or would cause the
 21 stock of one corporation to exceed ~~one-percent~~{1%} of the
 22 book value of such retirement fund.
 23 (4) The state board of investments shall endeavor to
 24 direct the state's investment business to those investment
 25 firms, and/or banks, which maintain offices in the state and

1 thereby make contributions to the state economy. Further,
 2 due consideration shall be given to investments which will
 3 benefit the smaller communities in the state of Montana. The
 4 state's investment business will be directed to out-of-state
 5 firms only when there is a distinct economic advantage to
 6 the state of Montana."

-End-

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22 or in Canada if the obligations purchased are payable in
23 United States dollars; provided that all investments under
24 subsection (b) must be rated by one ~~(1)~~ nationally
25 recognized rating agency among the top third of their

1 quality categories, not applicable to defaulted bonds;

2 (c) commercial paper of prime quality, as defined by
3 one (1) nationally recognized rating agency, issued by any
4 corporation organized and operating in any state of the
5 United States, provided that:6 (i) such securities mature in ~~two--hundred--seventy~~
7 ~~(270)~~ days or less; and8 (ii) the issuing corporation, or the parent company of
9 a finance subsidiary issuing commercial paper, at the time
10 of the last financial reporting period, had a ratio of
11 current assets to current liabilities, including among
12 current liabilities long-term debt maturing within ~~one-(1)~~
13 year, of at least ~~one-and-one-half-(1 1/2)~~ to ~~one--(1)~~; and
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15 ~~(\$1,000,000)~~ or more annually for the preceding ~~five--(5)~~
16 years; and17 (iii) no investment may be made at any time under
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19 investments in any investment fund to exceed ~~ten-percent~~
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21 commercial paper of any one corporation to exceed ~~two~~
22 ~~percent-(2%)~~ of the book value of such fund;23 (d) bankers' acceptances guaranteed by any bank having
24 its principal office in any state of the United States and
25 having deposits in excess of ~~five-hundred-million-dollars~~

1 ~~{500,000,000}~~ 500 million;

2 (e) interest-bearing deposits in banks, building and
3 loan associations, and savings and loan associations located
4 in the state of Montana, provided, however, that the board
5 of investments shall require pledged securities as specified
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11 property, provided that:

12 (i) no such mortgage OR MORTGAGE PARTICIPATION shall
13 ~~may~~ be purchased unless:

14 (A) the principal amount of the loan secured by the
15 mortgage OR MORTGAGE PARTICIPATION is ~~seventy-five-percent~~
16 ~~{75%}~~ 80% or less of the appraised value of the property; or

17 ~~(B) the principal amount of the loan secured by the~~
18 ~~mortgage OR MORTGAGE PARTICIPATION exceeds 80% of the~~
19 ~~appraised value of the property but the amount of the loan~~
20 ~~in excess of 80%, determined at the time the loan was made,~~
21 ~~is guaranteed or insured by a mortgage insurance company~~
22 ~~which the board of investments has determined to be a~~
23 ~~qualified private insurer; or~~

24 ~~{B}{C}~~ thirty-percent-{30% 25} or more of the loan OR
25 PARTICIPATION THEREIN secured is guaranteed or insured in

1 the event of default by the United States of America or an
2 agency thereof; or

3 ~~{E}{D}~~ the mortgagor has leased the mortgaged property
4 to a person, firm, or corporation whose rental payments
5 under the lease are guaranteed for the full term of the loan
6 OR PARTICIPATION THEREIN by an agency of the United States;
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10 investments in any investment fund to exceed ~~fifty-percent~~
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13 be restricted to fixed income securities described in
14 subsections (a) to (e) above.

15 (3) Retirement funds, only, may be invested in
16 preferred and common stocks of any corporation organized and
17 operating in any state of the United States, provided that:

18 (a) the corporation has assets of a value not less
19 than ~~ten-million-dollars-{10,000,000}~~ 10 million; and

20 (b) if the investment is preferred stock, the
21 corporation's aggregate earnings available for payment of
22 interest and preferred dividends, for a period of five (5)
23 consecutive years immediately before the date of investment,
24 have been at least ~~one-and-one-half-{1 1/2}~~ times the
25 aggregate of interest and preferred dividends required to be

1 paid during this period; and
 2 (c) if the investment is common stock,
 3 (i) the stock has paid cash dividends in each of at
 4 least ~~five~~⁵ years immediately before it is purchased; and
 5 (ii) the aggregate earnings of the corporation during
 6 this period which were available for payment of dividends on
 7 common stock were at least equal to the aggregate of the
 8 cash dividends paid thereon; and
 9 (iii) not more than ~~two percent~~^{2%} of the assets of
 10 any retirement fund may be invested in common stocks or in
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 12 conforming to the dividend and earnings standards stated in
 13 paragraphs (i) and (ii) above, so long as the corporation
 14 maintains the asset value required in subsection (a) and
 15 evidences appropriate growth potential and probable earnings
 16 gain; and
 17 (d) no investment may be made at any time under
 18 subsection (3) which would cause the book value of such
 19 investments in any retirement fund to exceed ~~twenty~~^{20%} percent
 20 of the book value of such fund, or would cause the
 21 stock of one corporation to exceed ~~one percent~~^{1%} of the
 22 book value of such retirement fund.
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 24 direct the state's investment business to those investment
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1 thereby make contributions to the state economy. Further,
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 3 benefit the smaller communities in the state of Montana. The
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-End-

HOUSE OF REPRESENTATIVES

March 16, 1977

BUSINESS AND INDUSTRY STANDING COMMITTEE AMENDMENT TO SENATE BILL NO. 223,

AS FOLLOWS:

1. Amend page 3, section 1, subsection (C), line 24.
Following: "25)"
Insert: "%"

AS AMENDED BE CONCURRED IN

1 SENATE BILL NO. 223
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