

House Bill 753

In The House

February 13, 1981	Introduced and referred to Committee on Taxation.
February 16, 1981	Fiscal note requested.
February 18, 1981	Rereferred to Committee on Business and Industry.
February 21, 1981	Fiscal note returned.
February 24, 1981	Committee recommend bill do pass.
	Bill printed and placed on members' desks.
	Second reading do pass.
February 25, 1981	On motion rules suspended and bill placed on third reading this day.
	Third reading passed.

In The Senate

March 3, 1981	Introduced and referred to Committee on Taxation.
April 23, 1981	Died in Committee.

1                                    HOUSE <sup>man</sup> BILL NO. 753  
 2    INTRODUCED BY Kenneth E. Volkmy Kandrich Stuber  
 3    Jeff Bennett Waldron ASRP Mueller Hafferman

4    A BILL FOR AN ACT ENTITLED: "AN ACT TO INVEST ONE-FOURTH OF  
 5    THE DEPOSITS TO THE COAL SEVERANCE TAX TRUST FUND IN HOME  
 6    MORTGAGES WHEN THE PRIME RATE EXCEEDS 12 PERCENT."

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

9            Section 1. Purpose. The legislature finds that in  
 10    times of high mortgage rates the construction and purchase  
 11    of single family housing diminishes dramatically in Montana,  
 12    causing unemployment and instability in the state economy.  
 13    The purpose of [this act] is to provide mortgage money at a  
 14    reasonable rate to qualified borrowers to promote the  
 15    stability and diversity of the Montana economy.

16           Section 2. Definitions. As used in [this act], unless  
 17    the context requires otherwise, the following definitions  
 18    apply:

19           (1) "Department" means the department of commerce  
 20    created by \_\_\_\_ Bill No. \_\_\_\_ [L.C. 1350].

21           (2) "Lending institution" means any public or private  
 22    entity or governmental agency maintaining an office in this  
 23    state and authorized by law to take or participate in taking  
 24    residential mortgages in the state.

25           (3) "Mortgage" means a mortgage deed, deed of trust,

1    or other instrument that constitutes a valid lien on real  
 2    property.

3           (4) "Prime rate" means the prime lending rate as  
 4    determined by Citibank of New York.

5           Section 3. Coal severance tax trust fund to be  
 6    invested in residential mortgages. When the prime rate is  
 7    above 12%, the board of investments, in cooperation with the  
 8    department, shall, subject to [subsection (3) of section 6],  
 9    invest one-fourth of the money deposited each quarter in the  
 10    coal severance tax trust fund in Montana residential  
 11    mortgages at a rate of return of 10%.

12           Section 4. Department to accept application -- form of  
 13    application -- notice to the public. (1) When the prime rate  
 14    is above 12%, the department shall accept applications from  
 15    Montana residents, on a form provided by the department, for  
 16    residential mortgages at 10 3/8%.

17           (2) To be eligible to participate in this program, the  
 18    applicant must have the qualifications for a loan under the  
 19    Housing Act of 1975, Title 90, chapter 6, part 1. The form  
 20    provided by the department shall contain a summary of the  
 21    qualifications promulgated under the Housing Act of 1975 and  
 22    shall elicit the information necessary for the department to  
 23    determine whether an applicant qualifies.

24           (3) When the prime rate is above 12% the department  
 25    shall publish notice that it will accept applications for

1 residential mortgages at 10 3/8% in at least one newspaper  
2 of general circulation in each county of the state.

3 Section 5. Department to select applicants at drawing  
4 -- time limit to secure loan. (1) The department shall  
5 review applications as they are submitted, using the rules  
6 adopted by the board of housing pursuant to Title 90,  
7 chapter 6, part 1, and separate those applications that  
8 appear to be eligible to receive a loan under [this act].

9 (2) Four weeks after the department publishes notice  
10 that it is accepting application for residential mortgages  
11 at 10 3/8%, the department shall conduct a drawing of the  
12 eligible applicants, selecting recipients at random. The  
13 drawing shall continue until all the money that can be  
14 invested in this program is committed.

15 (3) The applicants selected to receive loans shall be  
16 notified by the department that they have been selected. An  
17 applicant who is selected will have 90 days from  
18 notification in which to qualify for a loan at a lending  
19 institution. The lending institution shall process the  
20 application for a loan using the same criteria as if the  
21 applicant were seeking a loan at 10 3/8% interest under  
22 Title 90, chapter 6, part 1.

23 (4) If the loan is approved and made within 90 days,  
24 the lending institution shall inform the department that a  
25 10 3/8% loan has been made and shall inform the department

1 of the amount of the loan and the name of the borrower. The  
2 lending institution may sell the mortgage to the board of  
3 investments as provided in [section 6].

4 (5) If the bank determines that the applicant is  
5 ineligible or if the loan is not made within 90 days, the  
6 commitment is canceled.

7 (6) No more than one drawing under this section may be  
8 conducted in any calendar quarter. An applicant must submit  
9 a new application for each new drawing.

10 Section 6. Board of investments to purchase mortgages  
11 -- surplus funds. (1) When the department is notified by a  
12 lending institution that a loan has been made under [this  
13 act], the department shall notify the board of investments  
14 of the name of the institution making the loan and the  
15 amount of the loan.

16 (2) Upon receiving notice from the department under  
17 subsection (1), the board of investments shall purchase the  
18 mortgage from the lending institution at an amount that will  
19 yield the state 10% interest.

20 (3) Surplus funds from either canceled commitments or  
21 from loans made for less than the committed amount may be  
22 invested at the discretion of the board of investments.

23 Section 7. Legislative findings -- investments of  
24 prudent investments. The legislature finds that funds  
25 invested by the board of investments in residential

1 mortgages under [this act] will contribute to the stability  
2 of the Montana economy. The state, as trustee of the people  
3 of Montana, must look to the needs of the people of Montana  
4 when it invests the funds it holds in trust. The legislature  
5 finds that the investments made under [this act] are the  
6 kinds of investments that men of prudence, discretion, and  
7 intelligence would exercise in the management of their own  
8 affairs and that they are the kinds of investments the  
9 legislature contemplated when it enacted 17-6-201.

10 Section 8. Coordination instruction. If \_\_\_\_ Bill No.  
11 \_\_\_\_ [LC 1350] is not passed by the 47th legislature and  
12 approved by the governor, the definition of "department" in  
13 section 2 shall read as follows:

14 "Department" means the department of community affairs  
15 created in 2-15-1101."

-End-

STATE OF MONTANA

REQUEST NO. 395-81

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 753 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). 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

An act to invest one-fourth of the deposits to the coal severance tax trust fund in home mortgages when the prime rate exceeds 12 percent.

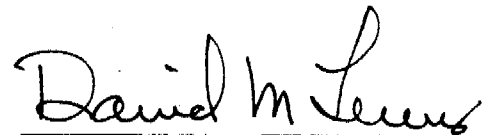
FISCAL IMPACT

The fiscal impact of the proposed legislation cannot be estimated due to the many variables involved.

It is known, however, that the measure will reduce interest income to coal tax trust fund for as long as the prime rate exceeds 12 percent. The following figures are presented for illustrative purposes only.

The amount deposited in the trust in FY 1981 which has been invested = \$13,507,848  
One fourth of this amount = \$3,376,962  
This amount could be invested at 13.3% which would result in \$449,136 interest income.  
If this was invested at 10-3/8%, it would generate \$350,360. This represents a loss of \$98,776 to the trust fund interest earnings.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-21-81

Approved by Committee  
on Business and Industry

1 HOUSE <sup>man</sup> BILL NO. 753  
2 INTRODUCED BY Kemmis & Volkley  
3 Waldron ISRP Mueller Hafferman

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INVEST ONE-FOURTH OF  
5 THE DEPOSITS TO THE COAL SEVERANCE TAX TRUST FUND IN HOME  
6 MORTGAGES WHEN THE PRIME RATE EXCEEDS 12 PERCENT."

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

9 Section 1. Purpose. The legislature finds that in  
10 times of high mortgage rates the construction and purchase  
11 of single family housing diminishes dramatically in Montana,  
12 causing unemployment and instability in the state economy.  
13 The purpose of [this act] is to provide mortgage money at a  
14 reasonable rate to qualified borrowers to promote the  
15 stability and diversity of the Montana economy.

16 Section 2. Definitions. As used in [this act], unless  
17 the context requires otherwise, the following definitions  
18 apply:

19 (1) "Department" means the department of commerce  
20 created by \_\_\_ Bill No. \_\_\_ [L.C. 1350].

21 (2) "Lending institution" means any public or private  
22 entity or governmental agency maintaining an office in this  
23 state and authorized by law to take or participate in taking  
24 residential mortgages in the state.

25 (3) "Mortgage" means a mortgage deed, deed of trust,

1 or other instrument that constitutes a valid lien on real  
2 property.

3 (4) "Prime rate" means the prime lending rate as  
4 determined by Citibank of New York.

5 Section 3. Coal severance tax trust fund to be  
6 invested in residential mortgages. When the prime rate is  
7 above 12%, the board of investments, in cooperation with the  
8 department, shall, subject to [subsection (3) of section 6],  
9 invest one-fourth of the money deposited each quarter in the  
10 coal severance tax trust fund in Montana residential  
11 mortgages at a rate of return of 10%.

12 Section 4. Department to accept application -- form of  
13 application -- notice to the public. (1) When the prime rate  
14 is above 12%, the department shall accept applications from  
15 Montana residents, on a form provided by the department, for  
16 residential mortgages at 10 3/8%.

17 (2) To be eligible to participate in this program, the  
18 applicant must have the qualifications for a loan under the  
19 Housing Act of 1975, Title 90, chapter 6, part 1. The form  
20 provided by the department shall contain a summary of the  
21 qualifications promulgated under the Housing Act of 1975 and  
22 shall elicit the information necessary for the department to  
23 determine whether an applicant qualifies.

24 (3) When the prime rate is above 12% the department  
25 shall publish notice that it will accept applications for

1 residential mortgages at 10 3/8% in at least one newspaper  
2 of general circulation in each county of the state.

3 Section 5. Department to select applicants at drawing  
4 -- time limit to secure loan. (1) The department shall  
5 review applications as they are submitted, using the rules  
6 adopted by the board of housing pursuant to Title 90,  
7 chapter 6, part 1, and separate those applications that  
8 appear to be eligible to receive a loan under [this act].

9 (2) Four weeks after the department publishes notice  
10 that it is accepting application for residential mortgages  
11 at 10 3/8%, the department shall conduct a drawing of the  
12 eligible applicants, selecting recipients at random. The  
13 drawing shall continue until all the money that can be  
14 invested in this program is committed.

15 (3) The applicants selected to receive loans shall be  
16 notified by the department that they have been selected. An  
17 applicant who is selected will have 90 days from  
18 notification in which to qualify for a loan at a lending  
19 institution. The lending institution shall process the  
20 application for a loan using the same criteria as if the  
21 applicant were seeking a loan at 10 3/8% interest under  
22 Title 90, chapter 6, part 1.

23 (4) If the loan is approved and made within 90 days,  
24 the lending institution shall inform the department that a  
25 10 3/8% loan has been made and shall inform the department

1 of the amount of the loan and the name of the borrower. The  
2 lending institution may sell the mortgage to the board of  
3 investments as provided in [section 6].

4 (5) If the bank determines that the applicant is  
5 ineligible or if the loan is not made within 90 days, the  
6 commitment is canceled.

7 (6) No more than one drawing under this section may be  
8 conducted in any calendar quarter. An applicant must submit  
9 a new application for each new drawing.

10 Section 6. Board of investments to purchase mortgages  
11 -- surplus funds. (1) When the department is notified by a  
12 lending institution that a loan has been made under [this  
13 act], the department shall notify the board of investments  
14 of the name of the institution making the loan and the  
15 amount of the loan.

16 (2) Upon receiving notice from the department under  
17 subsection (1), the board of investments shall purchase the  
18 mortgage from the lending institution at an amount that will  
19 yield the state 10% interest.

20 (3) Surplus funds from either canceled commitments or  
21 from loans made for less than the committed amount may be  
22 invested at the discretion of the board of investments.

23 Section 7. Legislative findings -- investments of  
24 prudent investments. The legislature finds that funds  
25 invested by the board of investments in residential

1 mortgages under [this act] will contribute to the stability  
2 of the Montana economy. The state, as trustee of the people  
3 of Montana, must look to the needs of the people of Montana  
4 when it invests the funds it holds in trust. The legislature  
5 finds that the investments made under [this act] are the  
6 kinds of investments that men of prudence, discretion, and  
7 intelligence would exercise in the management of their own  
8 affairs and that they are the kinds of investments the  
9 legislature contemplated when it enacted 17-6-201.

10 Section 8. Coordination instruction. If \_\_\_\_ Bill No.  
11 \_\_\_\_ [LC 1350] is not passed by the 47th legislature and  
12 approved by the governor, the definition of "department" in  
13 section 2 shall read as follows:

14 "Department" means the department of community affairs  
15 created in 2-15-1101."

-End-



HOUSE BILL NO. 753

INTRODUCED BY

*Kenneth E. Valkley*  
*Waldron ASRP Mueller Hafferman*

A BILL FOR AN ACT ENTITLED: "AN ACT TO INVEST ONE-FOURTH OF THE DEPOSITS TO THE COAL SEVERANCE TAX TRUST FUND IN HOME MORTGAGES WHEN THE PRIME RATE EXCEEDS 12 PERCENT."

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

Section 1. Purpose. The legislature finds that in times of high mortgage rates the construction and purchase of single family housing diminishes dramatically in Montana, causing unemployment and instability in the state economy. The purpose of [this act] is to provide mortgage money at a reasonable rate to qualified borrowers to promote the stability and diversity of the Montana economy.

Section 2. Definitions. As used in [this act], unless the context requires otherwise, the following definitions apply:

(1) "Department" means the department of commerce created by \_\_\_ Bill No. \_\_\_ [L.C. 1350].

(2) "Lending institution" means any public or private entity or governmental agency maintaining an office in this state and authorized by law to take or participate in taking residential mortgages in the state.

(3) "Mortgage" means a mortgage deed, deed of trust,

or other instrument that constitutes a valid lien on real property.

(4) "Prime rate" means the prime lending rate as determined by Citibank of New York.

Section 3. Coal severance tax trust fund to be invested in residential mortgages. When the prime rate is above 12%, the board of investments, in cooperation with the department, shall, subject to [subsection (3) of section 6], invest one-fourth of the money deposited each quarter in the coal severance tax trust fund in Montana residential mortgages at a rate of return of 10%.

Section 4. Department to accept application -- form of application -- notice to the public. (1) When the prime rate is above 12%, the department shall accept applications from Montana residents, on a form provided by the department, for residential mortgages at 10 3/8%.

(2) To be eligible to participate in this program, the applicant must have the qualifications for a loan under the Housing Act of 1975, Title 90, chapter 6, part 1. The form provided by the department shall contain a summary of the qualifications promulgated under the Housing Act of 1975 and shall elicit the information necessary for the department to determine whether an applicant qualifies.

(3) When the prime rate is above 12% the department shall publish notice that it will accept applications for

1 residential mortgages at 10 3/8% in at least one newspaper  
2 of general circulation in each county of the state.

3 Section 5. Department to select applicants at drawing  
4 -- time limit to secure loan. (1) The department shall  
5 review applications as they are submitted, using the rules  
6 adopted by the board of housing pursuant to Title 90,  
7 chapter 6, part 1, and separate those applications that  
8 appear to be eligible to receive a loan under [this act].

9 (2) Four weeks after the department publishes notice  
10 that it is accepting application for residential mortgages  
11 at 10 3/8%, the department shall conduct a drawing of the  
12 eligible applicants, selecting recipients at random. The  
13 drawing shall continue until all the money that can be  
14 invested in this program is committed.

15 (3) The applicants selected to receive loans shall be  
16 notified by the department that they have been selected. An  
17 applicant who is selected will have 90 days from  
18 notification in which to qualify for a loan at a lending  
19 institution. The lending institution shall process the  
20 application for a loan using the same criteria as if the  
21 applicant were seeking a loan at 10 3/8% interest under  
22 Title 90, chapter 6, part 1.

23 (4) If the loan is approved and made within 90 days,  
24 the lending institution shall inform the department that a  
25 10 3/8% loan has been made and shall inform the department

1 of the amount of the loan and the name of the borrower. The  
2 lending institution may sell the mortgage to the board of  
3 investments as provided in [section 6].

4 (5) If the bank determines that the applicant is  
5 ineligible or if the loan is not made within 90 days, the  
6 commitment is canceled.

7 (6) No more than one drawing under this section may be  
8 conducted in any calendar quarter. An applicant must submit  
9 a new application for each new drawing.

10 Section 6. Board of investments to purchase mortgages  
11 -- surplus funds. (1) When the department is notified by a  
12 lending institution that a loan has been made under [this  
13 act], the department shall notify the board of investments  
14 of the name of the institution making the loan and the  
15 amount of the loan.

16 (2) Upon receiving notice from the department under  
17 subsection (1), the board of investments shall purchase the  
18 mortgage from the lending institution at an amount that will  
19 yield the state 10% interest.

20 (3) Surplus funds from either canceled commitments or  
21 from loans made for less than the committed amount may be  
22 invested at the discretion of the board of investments.

23 Section 7. Legislative findings -- investments of  
24 prudent investments. The legislature finds that funds  
25 invested by the board of investments in residential

1 mortgages under [this act] will contribute to the stability  
2 of the Montana economy. The state, as trustee of the people  
3 of Montana, must look to the needs of the people of Montana  
4 when it invests the funds it holds in trust. The legislature  
5 finds that the investments made under [this act] are the  
6 kinds of investments that men of prudence, discretion, and  
7 intelligence would exercise in the management of their own  
8 affairs and that they are the kinds of investments the  
9 legislature contemplated when it enacted 17-6-201.

10 Section 8. Coordination instruction. If \_\_\_\_ Bill No.  
11 \_\_\_\_ [LC 1350] is not passed by the 47th legislature and  
12 approved by the governor, the definition of "department" in  
13 section 2 shall read as follows:

14 "Department" means the department of community affairs  
15 created in 2-15-1101."

-End-