

HOUSE BILL NO 325

Introduced: 01/18/83

Referred to Select Committee on Economic Development: 1/18/83

Hearing: 2/1/83

Died in Committee

1 *House* BILL NO. *325*
2 INTRODUCED BY *Kirkham* *for Kemmis*
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE BOARD
5 OF HOUSING TO ASSEMBLE POOLS OF MORTGAGES AND PROVIDING THAT
6 THE BOARD OF INVESTMENTS MAY INVEST IN SUCH POOLS; AMENDING
7 SECTIONS 17-6-211 AND 90-6-104, MCA."
8

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

10 Section 1. Section 17-6-211, MCA, is amended to read:

11 "17-6-211. Permissible investments. (1) The following
12 securities are permissible investments for all investment
13 funds referred to in 17-6-203, except as indicated:

14 (a) any securities authorized to be pledged to secure
15 deposits of public funds under 17-6-103;

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

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

5 (i) such securities mature in 270 days or less;

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

13 (iii) no investment may be made at any time under this
14 subsection (c) which would cause the book value of such
15 investments in any investment fund to exceed 10% of the book
16 value of such fund or would cause the commercial paper of
17 any one corporation to exceed 2% of the book value of such
18 fund;

19 (d) bankers' acceptances guaranteed by any bank having
20 its principal office in any state of the United States and
21 having deposits in excess of \$500 million;

22 (e) interest-bearing deposits in banks, building and
23 loan associations, and savings and loan associations located
24 in Montana, provided, however, that the board of investments
25 shall require pledged securities as specified in 17-6-102

(interest on said deposits shall not be less than the prevailing rate of interest being paid on deposits of private funds);

(f) ~~except as provided in subsection (1)(g),~~ unencumbered real property, first mortgages, and participations in first mortgages on unencumbered real property, provided that:

(i) no such mortgage or mortgage participation may be purchased unless:

(A) the principal amount of the loan secured by the mortgage or mortgage participation is 80% or less of the appraised value of the property;

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

(C) 25% or more of the loan or participation therein secured is guaranteed or insured in the event of default by the United States of America or an agency thereof; or

(D) the mortgagor has leased the mortgaged property to a person, firm, or corporation whose rental payments under the lease are guaranteed for the full term of the loan or

participation therein by an agency of the United States; and

(ii) no investment shall be made at any time under subsection (1)(f) which would cause the book value of such investments in any investment fund to exceed 50% of the book value of such fund;

~~(g) unencumbered real property consisting of assembled pools of mortgages, which may include first mortgages and participations in first mortgages on unencumbered real property and mortgage pass-through certificates, assembled by the board of housing for purchasing, constructing, or rehabilitating single-family residential housing. However, the principal amount of any loan secured by each such mortgage or mortgage participation in the pool must be 95% or less of the appraised value of the property.~~

(2) Investments from the pooled investment fund shall be restricted to fixed income securities described in subsections (1)(a) to (1)(e) above.

(3) Retirement funds and the fund provided for in 17-6-203, subsection (4) may be invested in preferred and common stocks of any corporation organized and operating in any state of the United States provided that:

(a) the corporation has assets of a value not less than \$10 million;

(b) if the investment is preferred stock, the corporation's aggregate earnings available for payment of

1 interest and preferred dividends, for a period of 5
2 consecutive years immediately before the date of investment,
3 have been at least 1 1/2 times the aggregate of interest and
4 preferred dividends required to be paid during this period;

5 (c) no investment may be made at any time under
6 subsection (3) which would cause the book value of such
7 investments in any retirement fund to exceed 50% of the book
8 value of such fund or would cause the stock of one
9 corporation to exceed 2% of the book value of such
10 retirement fund;

11 (d) subsection (c) does not apply to funds provided
12 for in 17-6-203(4).

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

22 Section 2. Section 90-6-104, MCA, is amended to read:

23 "90-6-104. General powers of the board. The board may:

24 (1) sue and be sued;

25 (2) have a seal;

1 (3) adopt all procedural and substantive rules
2 necessary for the administration of this part, including
3 rules concerning its mortgage, construction, and temporary
4 lending programs;

5 (4) make contracts, agreements, and other instruments
6 necessary or convenient for the exercise of its powers under
7 this part;

8 (5) enter into agreements or other transactions with
9 any federal, state, or local governmental agency, any
10 persons, and any domestic or foreign partnership,
11 corporation, association, or organization in carrying out
12 this part;

13 (6) enter into agreements under its rules with
14 sponsors, mortgagors, or lending institutions for the
15 purpose of regulating the analysis, planning, development,
16 and management of housing developments financed in whole or
17 in part by the proceeds of its loans or securities and
18 mortgage purchase programs;

19 (7) enter into agreements or other transactions with,
20 and accept grants and the cooperation of, any governmental
21 agency in furtherance of this part, including but not
22 limited to the development, leasing, maintenance, operation,
23 and financing of any housing development;

24 (8) accept services, appropriations, gifts, grants,
25 requests, and devise and utilize or dispose of them in

1 carrying out this part;

2 (9) acquire real or personal property or any right,
3 interest, or easement therein by gift, purchase, transfer,
4 foreclosure, lease, or otherwise; hold, sell, assign, lease,
5 encumber, mortgage, or otherwise dispose thereof; hold,
6 sell, assign, or otherwise dispose of any mortgage or loan
7 owned by it or in its control or custody; release or
8 relinquish any right, title, claim, interest, easement, or
9 demand, however acquired, including any equity or right of
10 redemption; do any of the foregoing by public or private
11 sale, with or without public bidding; commence any action to
12 protect or enforce any right conferred upon it by any law,
13 mortgage, contract, or other agreement; bid for and purchase
14 property at any foreclosure or other sale or acquire or take
15 possession of it in lieu of foreclosure; and operate,
16 manage, lease, dispose of, and otherwise deal with such
17 property in any manner necessary or desirable to protect its
18 interests and the holders of its bonds or notes and
19 consistent with any agreement with such holders;

20 (10) service and contract and pay for the servicing of
21 loans;

22 (11) provide general technical services in the
23 analysis, planning, design, processing, construction,
24 rehabilitation, and management of housing developments for
25 persons and families of lower income where these services

1 are not otherwise available;

2 (12) provide general consultative services to housing
3 developments for persons and families of lower income and
4 the residents thereof with respect to counseling and
5 training in management, home ownership, and maintenance
6 where these services are not otherwise available;

7 (13) invest any funds not required for immediate use,
8 subject to any agreements with its bondholders and
9 noteholders, as provided in Title 17, chapter 6, except all
10 investment income from funds of the board less the cost for
11 investment as prescribed by law shall be deposited in the
12 housing finance account;

13 (14) sell its loans or securities to the federal
14 national mortgage association or any other agency or
15 instrumentality of the United States and invest in the
16 capital stock issued by the association or other agency or
17 instrumentality to the extent, if any, required as a
18 condition of such sale;

19 (15) consent, whenever it deems it necessary or
20 desirable in fulfilling its purposes, to the modification of
21 the rate of interest, time, and payment of any installment
22 of principal or interest, security, or any other term of any
23 contract, mortgage, mortgage loan, mortgage loan commitment,
24 construction loan, advance contract, or agreement of any
25 kind, subject to any agreement with bondholders and

10 (17) procure insurance against any loss in connection
11 with its mortgages and mortgage loans and other assets or
12 property in amounts and from insurers as the board considers
13 desirable or necessary;

17 (19) issue notes and bonds and replace lost, destroyed,
18 or mutilated notes and bonds; and

23 (21) assemble pools of mortgages for investment in
24 which the board of investments may invest as provided in
25 17c-231(d)(4)."

— 9 —

STATE OF MONTANA

REQUEST NO. 166-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 20, 19 83, there is hereby submitted a Fiscal Note for House Bill 325 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 OF PROPOSED LEGISLATION:

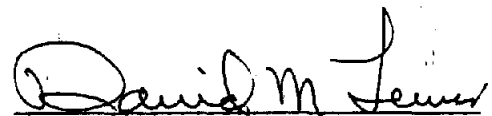
House Bill 325 allows the Board of Housing to assemble pools of mortgages and provides that the Board of Investments may invest in such pools.

COMMENTS:

No additional net expense or revenue would be incurred by the Board of Housing. The mortgages would be sold to the Board of Investments at par plus the actual cost of assembling the mortgage pool.

No fiscal impact for Department of Administration. It is assumed the Board of Investments would purchase the pool mortgages at market rates as an investment.

FISCAL NOTE 7:0/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-25-83