

SENATE BILL NO. 251

INTRODUCED BY GOODOVER, LEE, GAGE, FABREGA, KITSELMAN, MILLER,
VINGER, WALDRON, ADDY, KEATING

BY REQUEST OF THE BOARD OF HOUSING

IN THE SENATE

January 21, 1983	Introduced and referred to Committee on Business and Industry.
February 15, 1983	Committee recommend bill do pass. Report adopted.
February 16, 1983	Bill printed and placed on members' desks.
February 17, 1983	Second reading, do pass.
February 19, 1983	Correctly engrossed.
February 21, 1983	Third reading, passed. Ayes, 50; Noes, 0. Transmitted to House.

IN THE HOUSE

March 1, 1983	Introduced and referred to Select Committee on Economic Development.
March 3, 1983	Rereferred to Committee on Business and Industry.
March 22, 1983	Committee recommend bill be concurred in. Report adopted. Second reading, concurred in.
March 23, 1983	Third reading, concurred in.

IN THE SENATE

March 25, 1983

Returned to Senate. Sent
to enrolling.

Reported correctly enrolled.

1 *To Ensign* *Amity* BILL NO. *251*
 2 INTRODUCED BY *Patmy Seaton*
 3 *Kitsehn* BY REQUEST OF THE BOARD OF HOUSING *Beating*

4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE BOARD
 6 OF INVESTMENTS TO ENTER A COMMITMENT AGREEMENT WITH THE
 7 BOARD OF HOUSING FOR THE PURCHASE OF MORTGAGE LOANS FINANCED
 8 BY THE BOARD OF HOUSING; AMENDING SECTION 17-6-211, MCA."

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

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

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

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

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 or
 20 in Canada, if the obligations purchased are payable in
 21 United States dollars, or of any corporation in which the
 22 United States government is a voting shareholder by act of
 23 congress; provided that all investments under this
 24 subsection (b) must be rated by one nationally recognized
 25 rating agency among the top third of their quality

1 categories, not applicable to defaulted bonds;

2 (c) commercial paper of prime quality, as defined by
 3 one 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 270 days or less;

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

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

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

23 (e) interest-bearing deposits in banks, building and
 24 loan associations, and savings and loan associations located
 25 in Montana, provided, however, that the board of investments

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1 shall require pledged securities as specified in 17-6-102
2 (interest on said deposits shall not be less than the
3 prevailing rate of interest being paid on deposits of
4 private funds);

5 (f) unencumbered real property, first mortgages, and
6 participations in first mortgages on unencumbered real
7 property as provided in this subsection (1)(f) and
8 subsection (5), provided that:

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

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

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

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

24 (D) the mortgagor has leased the mortgaged property to
25 a person, firm, or corporation whose rental payments under

1 the lease are guaranteed for the full term of the loan or
2 participation therein by an agency of the United States; and

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

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

10 (3) Retirement funds and the fund provided for in
11 17-6-203, subsection (4) may be invested in preferred and
12 common stocks of any corporation organized and operating in
13 any state of the United States provided that:

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

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

22 (c) no investment may be made at any time under
23 subsection (3) which would cause the book value of such
24 investments in any retirement fund to exceed 50% of the book
25 value of such fund or would cause the stock of one

1 corporation to exceed 2% of the book value of such
2 retirement fund;

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

5 (4) The board of investments shall endeavor to direct
6 the state's investment business to those investment firms
7 and/or banks which maintain offices in the state and thereby
8 make contributions to the state economy. Further, due
9 consideration shall be given to investments which will
10 benefit the smaller communities in the state. The state's
11 investment business will be directed to out-of-state firms
12 only when there is a distinct economic advantage to the
13 state of Montana.

14 ~~(5) The board may invest in mortgage loans financed by~~
15 ~~the board of housing if the mortgages are not in default and~~
16 ~~meet the requirements of subsection (1)(f). The board may~~
17 ~~enter into a commitment agreement with the board of housing~~
18 ~~at the time of an issue of bonds or notes by the board of~~
19 ~~housing providing for the purchase at a specified future~~
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1 return to the purchasers."

-End-

Approved by Committee
on Business and Industry

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2 INTRODUCED BY *Patmy S. Gordon*

3 *Kibschum* BY REQUEST OF THE BOARD OF HOUSING *Kenning*

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21 United States dollars, or of any corporation in which the
22 United States government is a voting shareholder by act of
23 congress; provided that all investments under this
24 subsection (b) must be rated by one nationally recognized
25 rating agency among the top third of their quality

1 categories, not applicable to defaulted bonds;

2 (c) commercial paper of prime quality, as defined by
3 one 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 270 days or less;

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

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

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

23 (e) interest-bearing deposits in banks, building and
24 loan associations, and savings and loan associations located
25 in Montana, provided, however, that the board of investments

1 shall require pledged securities as specified in 17-6-102
2 (interest on said deposits shall not be less than the
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17 in excess of 80%, determined at the time the loan was made,
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21 (C) 25% or more of the loan or participation therein
22 secured is guaranteed or insured in the event of default by
23 the United States of America or an agency thereof; or

24 (D) the mortgagor has leased the mortgaged property to
25 a person, firm, or corporation whose rental payments under

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the lease are guaranteed for the full term of the loan or participation therein by an agency of the United States; and

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