

SENATE BILL NO. 7

INTRODUCED BY NEUMAN, ASAY, KOLSTAD, SCHULTZ, LANE,
RAPP-SVRCEK, REGAN, CONOVER, COBB, ANDERSON, TVEIT,
HARDING, HOLLIDAY, VINCENT, TOWE, ADDY, YELLOWTAIL,
E. SMITH, ABRAMS, SEVERSON, MONTAYNE, THAYER, HOWE,
SPAETH, HART, HARPER, KENNERLY, FRITZ, BACHINI,
PAVLOVICH, SCHYE, THOFT, DONALDSON, KELLER, GLASER,
PATTERSON, WEEDING, LYBECK, MOHAR, BENGTSON

BY REQUEST OF THE INTERIM SUBCOMMITTEE
ON AGRICULTURAL PROBLEMS

IN THE SENATE

| | |
|----------------|--|
| March 25, 1986 | Introduced and referred to Committee on Agriculture, Livestock and Irrigation. |
| March 27, 1986 | Committee recommend bill do pass. Report adopted. |
| | Second reading, do pass as amended. |
| | Third reading, passed. Ayes, 49; Noes, 1. |
| | Transmitted to House. |

IN THE HOUSE

| | |
|----------------|--|
| March 27, 1986 | Introduced and referred to Committee on Agriculture, Livestock and Irrigation. |
| | Committee recommend bill be concurrent in as amended. Report adopted. |
| March 28, 1986 | Second reading, concurred in. |
| | Third reading, concurred in. |

March 28, 1986

Returned to Senate with
amendments.

IN THE SENATE

March 29, 1986

Received from House.

On motion, Senate Bill 7 be
placed on second reading this
day.

Second reading, amendments
concurred in.

Third reading, amendments
concurred in. Ayes, 49;
Noes, 0.

Sent to enrolling.

Reported correctly enrolled.

1 BILL NO.
2 INTRODUCED BY *[Signature]*, Leg. Lane
3 BY REQUEST OF THE INTERIM SUBCOMMITTEE *Zollisay*
4 ON AGRICULTURAL PROBLEMS *Shedding Vincent Dwyer*
5 *Yellowtail E. Carner Ed W. M. [unclear] South House*
6 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING AN
7 AGRICULTURAL PRODUCTION LOAN LINKED DEPOSIT PROGRAM;
8 AUTHORIZING THE BOARD OF INVESTMENTS TO PLACE UP TO
9 \$50,000,000 OF PUBLIC INVESTMENT FUNDS IN CERTIFICATES OF
10 DEPOSIT WITH PARTICIPATING LENDING INSTITUTIONS AT
11 INTEREST RATE 1 PERCENT BELOW THE CURRENT MARKET RATE,
12 REQUIRING EACH INSTITUTION TO LEND THE VALUE OF SUCH
13 DEPOSITS TO ELIGIBLE AGRICULTURAL OPERATIONS AT AN INTEREST
14 RATE NOT EXCEEDING 2 PERCENTAGE POINTS GREATER THAN THE RATE
15 PAYABLE ON THE CERTIFICATES OF DEPOSIT; AND PROVIDING AN
16 IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."
17 *Mohar Bengtson* *Wheeler Lybeck*
18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

1 the well-being of agriculture, the legislature further finds
2 that the current crisis in agriculture poses a serious
3 threat to all Montana's citizens. It is the purpose of [this
4 act] to permit deposit of public investment funds in local
5 financial institutions at less than current market rates to
6 in turn enable those institutions to make credit available
7 to certain agricultural borrowers at favorable rates.
8 Notwithstanding other statutory fiduciary requirements, a
9 deposit under [this act] is hereby authorized and declared
10 to be for a valid public purpose.

13 (1) "Board" means the board of investments established
14 under 2-15-1005.

20 (a) derives at least 70% of its gross income from such
21 production; and

22 (b) has total financial liabilities exceeding 30% of
23 its total assets.

24 (3) "Eligible lending institution" means a financial
25 institution that:

(a) is eligible to make commercial loans;

(b) is a public depository of state funds; and

(c) agrees to participate in the linked deposit program established by [this act].

(4) "Linked deposit" means an agreement between the board and an eligible financial institution whereby a certificate of deposit for a term not exceeding 6 months is placed by the board with an eligible lending institution at a rate 1% below the current market rate for such a deposit, as determined by the board, provided the institution agrees to lend the value of such deposit, pursuant to the deposit agreement provided in [section 5], to eligible agricultural operations at an interest rate not exceeding 2 percentage points greater than the rate payable on the certificate of deposit.

Section 3. Amount authorized for linked deposits. The board may place public funds under its control not exceeding \$50,000,000 in linked deposits in eligible lending institutions qualified under [this act] to receive such deposits.

Section 4. Application for funds -- criteria for loans. (1) An eligible lending institution that desires to receive a linked deposit shall accept and review applications for linked deposit loans from eligible agricultural operations. The institution shall apply all

usual lending standards to determine credit worthiness of each applicant. No linked deposit loan made to any eligible agricultural operation may exceed \$50,000, and no service of separate loans funded under [this act] may be made which in the aggregate exceeds such limit to any single eligible agricultural operation.

(2) An eligible agricultural operation must certify on its loan application that the reduced rate loan will be used exclusively for its necessary production expenses or for the short-term acquisition of livestock for other than breeding purposes.

(3) The eligible lending institution must forward to the board a linked deposit loan package on a form prescribed by the board which discloses the recipient, amount, rate of interest, and term of each loan proposed to be made with the linked deposit. The institution shall ensure and certify that each loan applicant meets the eligibility requirements of [this act].

Section 5. Approval and acceptance of deposit -- deposit agreement. (1) The board may accept or reject the linked deposit loan package or any portion thereof.

(2) Upon acceptance of the linked deposit loan package or any portion thereof, the board may place certificates of deposit for a term not to exceed 6 months with the eligible lending institution at a rate 1% below the current market

1 rate for such certificates, as determined by the board.

2 (3) The eligible lending institution must enter into a
3 deposit agreement with the board, which shall specify the
4 recipients, amount, rate of interest, and length of time of
5 loans which the institution will make upon receiving a
6 linked deposit. The agreement must also specify that
7 interest on the linked deposit must be paid at the times
8 determined by the board.

9 (4) The period of time for which a certificate of
10 deposit is placed with an eligible lending institution may
11 be neither longer nor shorter than the period of time for
12 which the linked deposit is used to provide loans at reduced
13 interest rates.

14 Section 6. Linked deposit loans. (1) Upon placement of
15 a linked deposit with an eligible lending institution, the
16 institution must lend such funds to each approved eligible
17 agricultural operation listed in the linked deposit loan
18 package required by [section 4] and in accordance with the
19 deposit agreement required by [section 5]. Each loan must be
20 at a fixed rate of interest not exceeding 2 percentage
21 points greater than the rate payable on the linked deposit.

22 (2) All records and documents pertaining to each loan
23 shall be segregated by the lending institution for ease of
24 identification and examination.

25 (3) Each eligible agricultural operation receiving a

1 loan under [this act] shall promptly certify receipt of the
2 loan to the board in the form and manner prescribed by the
3 board.

4 (4) Any report of noncompliance by an eligible lending
5 institution chartered under the laws of this state must be
6 referred to the financial division of the department of
7 commerce for appropriate action. Any report of noncompliance
8 by an eligible lending institution chartered under federal
9 law must be referred to the office of United States
10 comptroller of the currency for appropriate action.

11 Section 7. Liability for loans and deposit funds.
12 Neither the state nor the board is liable to any eligible
13 lending institution in any manner for payment of the
14 principal or interest on any loan to an eligible
15 agricultural operation. Any delay in payments or default on
16 the part of an eligible agricultural operation does not in
17 any manner affect the deposit agreement between the eligible
18 lending institution and the board.

19 Section 8. Penalty. (1) Any person who knowingly makes
20 a false statement concerning any loan application or linked
21 deposit loan package is guilty of a misdemeanor.

22 (2) Any lending officer of an eligible lending
23 institution who knowingly violates any provision of [this
24 act] is guilty of a misdemeanor.

25 Section 9. Effective date -- termination. (1) This act

LC 0031/01

- 1 is effective on passage and approval and terminates March
- 2 15, 1987.
- 3 (2) The authority of the board to make linked deposits
- 4 under this act terminates August 31, 1986.

-End-

APPROVED BY COMMITTEE
ON AGRICULTURE LIVESTOCK
& IRRIGATION
YELLOW PRINTING DISPENSED

SENATE BILL NO. 7

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\$50,000,000 OF PUBLIC INVESTMENT FUNDS IN CERTIFICATES OF
DEPOSIT WITH PARTICIPATING LENDING INSTITUTIONS AT AN
INTEREST RATE 1 PERCENT BELOW THE CURRENT MARKET RATE;
REQUIRING EACH INSTITUTION TO LEND THE VALUE OF SUCH
DEPOSITS TO ELIGIBLE AGRICULTURAL OPERATIONS AT AN INTEREST
RATE NOT EXCEEDING 2 PERCENTAGE POINTS GREATER THAN THE RATE
PAYABLE ON THE CERTIFICATES OF DEPOSIT; AND PROVIDING AN
IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

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

Section 1. Findings and purpose. The legislature finds

that due to economic, climatic, and other factors beyond
their control a significant number of Montana agricultural
producers are presently unable to obtain the financial
credit necessary to continue operating and are in imminent
peril of losing their operations and their livelihood.
Because of the dependence of the entire Montana economy on
the well-being of agriculture, the legislature further finds
that the current crisis in agriculture poses a serious
threat to all Montana's citizens. It is the purpose of [this
act] to permit deposit of public investment funds in local
financial institutions at less than current market rates to
in turn enable those institutions to make credit available
to certain agricultural borrowers at favorable rates.
Notwithstanding other statutory fiduciary requirements, a
deposit under [this act] is hereby authorized and declared
to be for a valid public purpose.

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

(1) "Board" means the board of investments established
under 2-15-1005.

(2) "Eligible agricultural operation" means any
person, corporation, partnership, or other entity which is
engaged in the production of agricultural, livestock,
poultry, dairy, or fruit or other horticultural products and
which:

THIRD READING

SB 7

(a) derives at least 70% of its gross income from such production; and

(b) has total financial liabilities exceeding 30% of its total assets.

(3) "Eligible lending institution" means a financial institution that:

(a) is eligible to make commercial loans;

(b) is a public depository of state funds; and

(c) agrees to participate in the linked deposit program established by [this act].

(4) "Linked deposit" means an agreement between the board and an eligible financial institution whereby a certificate of deposit for a term not exceeding 6 months is placed by the board with an eligible lending institution at a rate 1% below the current market rate for such a deposit, as determined by the board, provided the institution agrees to lend the value of such deposit, pursuant to the deposit agreement provided in [section 5], to eligible agricultural operations at an interest rate not exceeding 2 percentage points greater than the rate payable on the certificate of deposit.

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deposits.

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(2) An eligible agricultural operation must certify on its loan application that the reduced rate loan will be used exclusively for its necessary production expenses or for the short-term acquisition of livestock for other than breeding purposes.

(3) The eligible lending institution must forward to the board a linked deposit loan package on a form prescribed by the board which discloses the recipient, amount, rate of interest, and term of each loan proposed to be made with the linked deposit. The institution shall ensure and certify that each loan applicant meets the eligibility requirements of [this act].

Section 5. Approval and acceptance of deposit --

1 deposit agreement. (1) The board may accept or reject the
2 linked deposit loan package or any portion thereof.

3 (2) Upon acceptance of the linked deposit loan package
4 or any portion thereof, the board may place certificates of
5 deposit for a term not to exceed 6 months with the eligible
6 lending institution at a rate 1% below the current market
7 rate for such certificates, as determined by the board.

8 (3) The eligible lending institution must enter into a
9 deposit agreement with the board, which shall specify the
10 recipients, amount, rate of interest, and length of time of
11 loans which the institution will make upon receiving a
12 linked deposit. The agreement must also specify that
13 interest on the linked deposit must be paid at the times
14 determined by the board.

15 (4) The period of time for which a certificate of
16 deposit is placed with an eligible lending institution may
17 be neither longer nor shorter than the period of time for
18 which the linked deposit is used to provide loans at reduced
19 interest rates.

20 Section 6. Linked deposit loans. (1) Upon placement of
21 a linked deposit with an eligible lending institution, the
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25 deposit agreement required by [section 5]. Each loan must be

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2 points greater than the rate payable on the linked deposit.

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4 shall be segregated by the lending institution for ease of
5 identification and examination.

6 (3) Each eligible agricultural operation receiving a
7 loan under [this act] shall promptly certify receipt of the
8 loan to the board in the form and manner prescribed by the
9 board.

10 (4) Any report of noncompliance by an eligible lending
11 institution chartered under the laws of this state must be
12 referred to the financial division of the department of
13 commerce for appropriate action. Any report of noncompliance
14 by an eligible lending institution chartered under federal
15 law must be referred to the office of United States
16 comptroller of the currency OR OTHER APPROPRIATE FEDERAL
17 REGULATORY AGENCY for appropriate action.

18 Section 7. Liability for loans and deposit funds.
19 Neither the state nor the board is liable to any eligible
20 lending institution in any manner for payment of the
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22 agricultural operation. Any delay in payments or default on
23 the part of an eligible agricultural operation does not in
24 any manner affect the deposit agreement between the eligible
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2 a false statement concerning any loan application or linked
3 deposit loan package is guilty of a misdemeanor.

4 (2) Any lending officer of an eligible lending
5 institution who knowingly violates any provision of [this
6 act] is guilty of a misdemeanor.

7 Section 9. Effective date -- termination. (1) This act
8 is effective on passage and approval and terminates March
9 15, 1987.

10 (2) The authority of the board to make linked deposits
11 under this act terminates August 31, 1986.

-End-

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which:

REFERENCE BILL

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2 production; and

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10 program established by [this act].

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12 board and an eligible financial institution whereby a
13 certificate of deposit for a term not exceeding 6 months is
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17 purposes.

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19 the board a linked deposit loan package on a form prescribed
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23 TOTAL ASSETS OF EACH BORROWER. The institution shall ensure
24 and certify that each loan applicant meets the eligibility
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3 a false statement concerning any loan application or linked
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REFERENCE BILL

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9 (3) The eligible lending institution must enter into a
10 deposit agreement with the board, which shall specify the
11 recipients, amount, rate of interest, and length of time of
12 loans which the institution will make upon receiving a
13 linked deposit. The agreement must also specify that
14 interest on the linked deposit must be paid at the times
15 determined by the board.

16 (4) The period of time for which a certificate of
17 deposit is placed with an eligible lending institution may
18 be neither longer nor shorter than the period of time for
19 which the linked deposit is used to provide loans at reduced
20 interest rates.

21 Section 6. Linked deposit loans. (1) Upon placement of
22 a linked deposit with an eligible lending institution, the
23 institution must lend such funds to each approved eligible
24 agricultural operation listed in the linked deposit loan
25 package required by [section 4] and in accordance with the

1 deposit agreement required by [section 5]. Each loan must be
2 at a fixed rate of interest not exceeding 2 percentage
3 points greater than the rate payable on the linked deposit.

4 (2) All records and documents pertaining to each loan
5 shall be segregated by the lending institution for ease of
6 identification and examination.

7 (3) Each eligible agricultural operation receiving a
8 loan under [this act] shall promptly certify receipt of the
9 loan to the board in the form and manner prescribed by the
10 board.

11 (4) Any report of noncompliance by an eligible lending
12 institution chartered under the laws of this state must be
13 referred to the financial division of the department of
14 commerce for appropriate action. Any report of noncompliance
15 by an eligible lending institution chartered under federal
16 law must be referred to the office of United States
17 comptroller of the currency OR OTHER APPROPRIATE FEDERAL
18 REGULATORY AGENCY for appropriate action.

19 Section 7. Liability for loans and deposit funds.
20 Neither the state nor the board is liable to any eligible
21 lending institution in any manner for payment of the
22 principal or interest on any loan to an eligible
23 agricultural operation. Any delay in payments or default on
24 the part of an eligible agricultural operation does not in
25 any manner affect the deposit agreement between the eligible

1 lending institution and the board.

2 Section 8. Penalty. (1) Any person who knowingly makes
3 a false statement concerning any loan application or linked
4 deposit loan package is guilty of a misdemeanor.

5 (2) Any lending officer of an eligible lending
6 institution who knowingly violates any provision of [this
7 act] is guilty of a misdemeanor.

8 Section 9. Effective date -- termination. (1) This act
9 is effective on passage and approval and terminates March
10 15, 1987.

11 (2) The authority of the board to make linked deposits
12 under this act terminates August 31, 1986.

 -End-

STANDING COMMITTEE REPORT

March 27, 1986

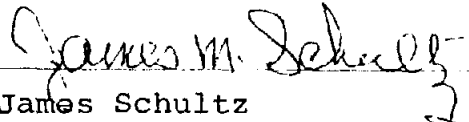
19

Mr. Speaker: We, the committee on Agriculture
report Senate Bill 7

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached



James Schultz Chairman

BE AMENDED AS FOLLOWS:

1) Page 4, line 22

Following: "deposit"

Insert: ", and ratio of total financial liabilities
to total assets of each borrower"


Third

Blue

reading copy ()
color