SB 59 INTRODUCED BY GALT ALLOW BANKS TO HOLD AGRICULTURAL LAND FOR 10 YEARS FOLLOWING FORECLOSURE BY REQUEST OF JOINT INTERIM SUBCOMMITTEE ON AGRICULTURAL PROBLEMS 1/06 INTRODUCED 1/06 REFERRED TO JUDICIARY 1/09 HEARING 1/13 COMMITTEE REPORT--BILL PASSED AS AMENDED 1/15 2ND READING PASSED 36 13 1/17 3RD READING PASSED 37 13 TRANSMITTED TO HOUSE 2/04 REFERRED TO BUSINESS & LABOR 3/03 HEARING 3/17 TABLED IN COMMITTEE

2	INTRODUCED BY GALT
3	BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE
4	ON AGRICULTURAL PROBLEMS
5	
6	A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION
7	32-1-423, MCA, TO ALLOW STATE-CHARTERED BANKS TO HOLD
8	AGRICULTURAL REAL ESTATE FOR 15 YEARS FOLLOWING ACQUISITION
9	BY FORECLOSURE OR CONVEYANCE IN SATISFACTION OF DEBT; AND
10	PROVIDING FOR AN APPLICABILITY DATE, AN IMMEDIATE EFFECTIVE
11	DATE, AND A TERMINATION DATE."
12	
13	WHEREAS, the maintenance of real estate values for
14	agricultural land is important to the financial well-being
15	of Montana farmers and ranchers; and
16	WHEREAS, section 32-1-423, MCA, prohibits banks from
17	holding foreclosed real estate for a period longer than 5
18	years; and
19	WHEREAS, the sale of foreclosed real estate by banks at
20	the present time will tend to accelerate the decline in the
21	market value of agricultural land; and
22	WHEREAS, banks could better stabilize their capital if
23	they were not required to sell foreclosed real estate at the
24	current depressed market values in order to meet the
25	requirements of section 32-1-423, MCA.

SENATE BILL NO. 59

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1	THEREFORE, the Legislature of the State of Montana
2	finds it appropriate to amend section 32-1-423, MCA.
3	
4	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
5	Section 1. Section 32-1-423, MCA, is amended to read:
6	"32-1-423. Real estate which banks may purchase, hold,
7	or convey. (1) A bank organized under the provisions of this
8	chapter may purchase, hold, or convey real estate which:
9	(a) is necessary for the proper transaction of its
LO	business, but it shall not invest an amount exceeding 50% of
11	its paid-up capital and surplus in the lot and building in
L 2	which the business of the company is carried on, furniture,
L3	equipment and fixtures, vaults and safety vaults, and boxes
L 4	necessary or proper to carry on its banking business;
L 5	(b) is mortgaged to it in good faith by way of
L 6	security for loans previously made or moneys due to the
17	bank;
18	(c) is conveyed to it in satisfaction of debts
19	previously contracted in the course of its business;
20	(d) it purchases at sales under judgments, decrees, or

mortgages held by the bank.

(2) Real Except as provided in subsection (3), real estate acquired in the manner set forth in subsections

(1)(c) and (1)(d) of this section may not be held longer

than 5 years from the date of acquisition, unless special

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- The real estate shall be carried on the books of the bank
- for an amount not greater than its cost to the bank,
- including costs of foreclosure and other expenses of
- acquiring title.
- 6 (3) A bank may hold real estate for a period no longer
- 7 than 15 years from the date of acquisition if such real
- 8 estate:
- 9 (a) was acquired as provided for in subsection (1)(c)
- 10 or (1)(d); and
- 11 (b) is determined to be agricultural land as defined
- 12 in 80-12-102.
- 13 (4) Under subsection (3), a bank shall carry on its
- 14 books the value of real estate in the same manner as
- prescribed in subsection (2)."
- 16 NEW SECTION. Section 2. Extension of authority. Any
- 17 existing authority of the department of commerce to make
- 18 rules on the subject of the provisions of this act is
- 19 extended to the provisions of this act.
- 20 NEW SECTION. Section 3. Applicability. This act
- 21 applies to agricultural land acquired by banks:
- 22 (1) within 5 years prior to the effective date of this
- 23 act; or
- 24 (2) during the period between the effective date of
- 25 this act and December 31, 1991.

- NEW SECTION. Section 4. Effective date. This act is
- 2 effective on passage and approval.
- 3 NEW SECTION. Section 5. Termination. This act
- 4 terminates January 1, 2006.

-End-

APPROVED BY COMMITTEE ON JUDICIARY

1	SENATE BILL NO. 59
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4	ON AGRICULTURAL PROBLEMS
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7	32-1-423, MCA, TO ALLOW STATE-CHARTERED BANKS TO HOLD
8	AGRICULTURAL REAL ESTATE FOR 15 10 YEARS FOLLOWING
9	ACQUISITION BY FORECLOSURE OR CONVEYANCE IN SATISFACTION OF
10	DEBT; AND PROVIDING FOR AN APPLICABILITY DATE, AN IMMEDIATE
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13	WHEREAS, the maintenance of real estate values for
14	agricultural land is important to the financial well-being
15	of Montana farmers and ranchers; and
16	WHEREAS, section 32-1-423, MCA, prohibits banks from
17	holding foreclosed real estate for a period longer than 5
18	years; and
19	WHEREAS, the sale of foreclosed real estate by banks at
20	the present time will tend to accelerate the decline in the
21	market value of agricultural land; and
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10	business, but it shall not invest an amount exceeding 50% of
11	its paid-up capital and surplus in the lot and building in
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13	equipment and fixtures, vaults and safety vaults, and boxes
14	necessary or proper to carry on its banking business;

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- (b) is mortgaged to it in good faith by way of security for loans previously made or moneys due to the bank;
- (c) is conveyed to it in satisfaction of 18 debts 19 previously contracted in the course of its business;
- (d) it purchases at sales under judgments, decrees, or 20 21 mortgages held by the bank.
- 22 (2) Real Except as provided in subsection (3), real 23 estate acquired in the manner set forth in subsections 24 (1)(c) and (1)(d) of this section may not be held longer 25 than 5 years from the date of acquisition, unless special

- written permission to do so is granted by the department.
- 2 The real estate shall be carried on the books of the bank
- 3 for an amount not greater than its cost to the bank,
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- 6 (3) A bank may hold real estate for a period no longer
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