

1 SENATE BILL NO. 59
2 INTRODUCTION 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.

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
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
12 which the business of the company is carried on, furniture,
13 equipment and fixtures, vaults and safety vaults, and boxes
14 necessary or proper to carry on its banking business;
15 (b) is mortgaged to it in good faith by way of
16 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
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



1 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,
 4 including costs of foreclosure and other expenses of
 5 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
 15 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.

1 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

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