

CHAPTER 171—H.F.No. 1573

An act relating to financial institutions; regulating savings banks; modifying and clarifying statutory provisions relating to the structure and functions of savings banks; making technical changes; amending Minnesota Statutes 1994, sections 9.031, subdivision 8; 46.047, subdivision 2; 47.01, subdivisions 2 and 3; 47.015, subdivision 1; 47.02; 47.10, subdivision 1; 47.12; 47.20, subdivisions 1 and 9; 47.201, subdivision 1; 47.205, subdivision 1; 47.209, subdivision 1; 47.27, subdivision 2; 47.28; 47.29, subdivisions 1 and 2; 47.30, subdivisions 1, 2, 3, and 5; 47.32; 47.62, subdivision 4; 47.64, subdivision 1; 47.65, subdivisions 1 and 2; 48.01, subdivision 2; 48.15, by adding a subdivision; 49.01, by adding a subdivision; 49.42; 50.01; 50.04; 50.05; 50.06; 50.11; 50.13; 50.14, subdivisions 1, 5, 7, and 8; 50.145; 50.146; 50.1465; 50.148; 50.155; 50.17; 50.175, subdivision 1; 50.19; 50.21; 50.22; 50.23; 50.245; 50.25; 51A.02, subdivisions 6, 26, and 40; 51A.21, by adding a subdivision; 61A.09, subdivision 3; 62B.04, subdivisions 1 and 2; and 300.20; proposing coding for new law in Minnesota Statutes, chapters 46; 47; and 50; repealing Minnesota Statutes 1994, sections 47.095; 47.30, subdivisions 4 and 6; 48.67; 50.02; 50.07; 50.08; 50.09; 50.10; 50.12; 50.15; 50.16; 50.21; and 50.22.

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

Section 1. Minnesota Statutes 1994, section 9.031, subdivision 8, is amended to read:

Subd. 8. **ACTIVE AND INACTIVE DEPOSITORIES.** Depositories shall be divided into two classes to be known as active and inactive. A depository may be designated as a depository of both classes.

All state funds deposited in active depositories are subject to withdrawal by the state treasurer upon demand and no interest shall be charged on these deposits.

Surplus funds not required to meet the state's current disbursements shall be deposited for a definite period in inactive depositories and interest shall be paid on these deposits at a rate of not less than one percent per annum nor more than the maximum rate authorized to be paid by Minnesota state banks other than ~~mutual~~ savings banks. This rate shall be fixed by the executive council in accordance with the current rate upon similar deposits.

Sec. 2. Minnesota Statutes 1994, section 46.047, subdivision 2, is amended to read:

Subd. 2. **BANKING INSTITUTION.** The term "banking institution" means a bank, trust company, bank and trust company, ~~mutual~~ savings bank, or thrift institution, that is organized under the laws of this state, or a holding company which owns or otherwise controls the banking institution.

Sec. 3. **[46.35] INTERPRETATIONS.**

The commissioner of commerce may upon request from an interested party give an interpretive opinion in connection with the administration of chapters 45 to 56. No penalty provision in these chapters or of any other chapter to

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which chapters 45 to 56 may refer applies to any act done or not done in conformity with a written interpretive opinion of the commissioner, notwithstanding that the written interpretive opinion may, after the act or omission, be amended or rescinded or be determined by judicial or other authority to be invalid for any reason.

Sec. 4. Minnesota Statutes 1994, section 47.01, subdivision 2, is amended to read:

Subd. 2. **BANK.** A bank is a corporation under public control, having a place of business where credits are opened by the deposit or collection of money and currency, subject to be paid or remitted upon draft, check, or order, and where money is advanced, loaned on stocks, bonds, bullion, bills of exchange, and promissory notes, and where the same are received for discount or sale; and all persons and copartnerships, respectively, so operating, are bankers. The term does not include a savings bank.

Sec. 5. Minnesota Statutes 1994, section 47.01, subdivision 3, is amended to read:

Subd. 3. **SAVINGS BANK.** A savings bank is ~~an institution under like control, managed by disinterested trustees solely, authorized to receive and safely invest the savings of small depositors~~ a corporation authorized to do business under chapter 50.

Sec. 6. Minnesota Statutes 1994, section 47.015, subdivision 1, is amended to read:

Subdivision 1. **FINANCIAL INSTITUTIONS.** As used in this section the term "financial institution" shall include banks, trust companies, banks and trust companies, ~~mutual~~ savings banks, industrial loan and thrift companies having outstanding certificates of indebtedness for investment, savings ~~and loan~~ associations, national banking associations, federal reserve banks ~~and~~, federal savings ~~and loan~~ associations, and federal savings banks doing business in this state, and includes any branch or detached facility of any of them.

Sec. 7. Minnesota Statutes 1994, section 47.02, is amended to read:

47.02 "BANK" AND "SAVINGS BANK."

A "bank" is a corporation having a place of business in this state, where credits are opened by the deposit of money or currency, or the collection of the same, subject to be paid or remitted on draft, check, or order; and where money is loaned or advanced on stocks, bonds, bullion, bills of exchange, or promissory notes, and where the same are received for discount or sale. A "savings bank" is a corporation ~~managed by disinterested trustees, solely authorized to receive and safely invest the savings of small depositors~~ authorized to do business under chapter 50. Every "bank" or "savings bank" in this state shall at all times be under the supervision and subject to the control of the commissioner of commerce, and when so conducted the business shall be known as "banking."

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Sec. 8. Minnesota Statutes 1994, section 47.10, subdivision 1, is amended to read:

Subdivision 1. **AUTHORITY, APPROVAL, LIMITATIONS.** (a) Except as otherwise specially provided, the net book value of land and buildings for the transaction of the business of the corporation, including parking lots and premises leased to others, shall not be more than as follows:

(1) for a bank, trust company, savings bank, or stock savings association, if investment is for acquisition and improvements to establish a new bank, or is for improvements to existing property or acquisition and improvements to adjacent property, approval by the commissioner of commerce is not required if the total investment does not exceed 50 percent of its existing capital stock and paid-in surplus. Upon written prior approval of the commissioner of commerce, a bank, trust company, savings bank, or stock savings association may invest in the property and improvements in clause (1) or for acquisition of nonadjacent property for expansion or future use, if the aggregate of all such investments does not exceed 75 percent of its existing capital stock and paid-in surplus;

(2) for a ~~savings bank~~, 50 percent of its net surplus;

~~(3)~~ for a mutual ~~building and loan~~ savings association, five percent of its net assets.

(b) For purposes of this subdivision, an intervening highway, street, road, alley, other public thoroughfare, or easement of any kind does not cause two parcels of real property to be nonadjacent.

Sec. 9. Minnesota Statutes 1994, section 47.12, is amended to read:

47.12 FINANCIAL CORPORATIONS.

Corporations may be formed for any one of the following purposes:

(1) Carrying on the business of banking, by receiving deposits, buying, selling, and discounting notes, bills, and other evidences of debt legal for investment, domestic or foreign, dealing in gold and silver bullion and foreign coins, issuing circulating notes, and loaning money upon real estate or personal security or upon the creditworthiness of the borrower;

(2) Establishing and conducting clearing houses, for effecting, in one place, the speedy and systematic daily exchange and adjustment of balances between banks and bankers in any municipality, town, or county, establishing and enforcing uniform methods of conducting the banking business in such locality, and adjusting disputes or misunderstandings between members of such clearing house engaged in the banking business;

(3) Creating and conducting savings banks for the reception, on deposit, of money offered for that purpose, the investment thereof, and the declaring, crediting, and paying of dividends or interest thereon, as authorized and provided by law;

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(4) Transacting business as a trust company in conformity with the laws relating thereto; and

(5) Carrying on, in accordance with law, the business of ~~building, loan, and~~ savings associations.

Sec. 10. Minnesota Statutes 1994, section 47.20, subdivision 1, is amended to read:

Subdivision 1. Pursuant to rules the commissioner of commerce finds to be necessary and proper, if any, banks, savings banks, ~~mutual savings banks, building and loan associations,~~ and savings ~~and loan~~ associations organized under the laws of this state or the United States, trust companies, trust companies acting as fiduciaries, and other banking institutions subject to the supervision of the commissioner of commerce, and mortgagees or lenders approved or certified by the secretary of housing and urban development or approved or certified by the administrator of veterans affairs, or approved or certified by the administrator of the farmers home administration, or approved or certified by the federal home loan mortgage corporation, or approved or certified by the federal national mortgage association, are authorized:

(1) To make loans and advances of credit and purchases of obligations representing loans and advances of credit which are insured or guaranteed by the secretary of housing and urban development pursuant to the national housing act, as amended, or the administrator of veterans affairs pursuant to the servicemen's readjustment act of 1944, as amended, or the administrator of the farmers home administration pursuant to the consolidated farm and rural development act, Public Law Number 87-128, as amended, and to obtain the insurance or guarantees;

(2) To make loans secured by mortgages on real property and loans secured by a share or shares of stock or a membership certificate or certificates issued to a stockholder or member by a cooperative apartment corporation which the secretary of housing and urban development, the administrator of veterans affairs, or the administrator of the farmers home administration has insured or guaranteed or made a commitment to insure or guarantee, and to obtain the insurance or guarantees;

(3) To make, purchase, or participate in such loans and advances of credit as would be eligible for purchase, in whole or in part, by the federal national mortgage association or the federal home loan mortgage corporation, but without regard to any limitation placed upon the maximum principal amount of an eligible loan;

(4) To make, purchase or participate in such loans and advances of credit secured by mortgages on real property which are authorized or allowed by the ~~federal home loan bank board~~ office of thrift supervision or the office of the comptroller of the currency, or any successor to these federal agencies.

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Sec. 11. Minnesota Statutes 1994, section 47.20, subdivision 9, is amended to read:

Subd. 9. (1) For purposes of this subdivision the term "mortgagee" shall mean all state banks and trust companies, national banking associations, state and federally chartered savings ~~and loan~~ associations, mortgage banks, ~~mutual~~ savings banks, insurance companies, credit unions or assignees of the above. Each mortgagee requiring funds of a mortgagor to be paid into an escrow, agency or similar account for the payment of taxes or insurance premiums with respect to a mortgaged one-to-four family, owner occupied residence located in this state, unless the account is required by federal law or regulation or maintained in connection with a conventional loan in an original principal amount in excess of 80 percent of the lender's appraised value of the residential unit at the time the loan is made or maintained in connection with loans insured or guaranteed by the secretary of housing and urban development, by the administrator of veterans affairs, or by the administrator of the farmers home administration, shall calculate interest on such funds at a rate of not less than five percent per annum. Such interest shall be computed on the average monthly balance in such account on the first of each month for the immediately preceding 12 months of the calendar year or such other fiscal year as may be uniformly adopted by the mortgagee for such purposes and shall be annually credited to the remaining principal balance on the mortgage, or at the election of the mortgagee, paid to the mortgagor or credited to the mortgagor's account. If the interest exceeds the remaining balance, the excess shall be paid to the mortgagor or vendee. The requirement to pay interest shall apply to such accounts created prior to June 1, 1976, as well as to accounts created after June 1, 1976.

(2) A mortgagee offering the following option (c) to a mortgagor but not requiring maintenance of escrow accounts as described in clause (1), whether or not the accounts were required by the mortgagee or were optional with the mortgagor, shall offer to each of such mortgagors the following options:

(a) the mortgagor may personally manage the payment of insurance and taxes;

(b) the mortgagor may open with the mortgagee a passbook savings account carrying the current rate of interest being paid on such accounts by the mortgagee in which the mortgagor can deposit the funds previously paid into the escrow account; or

(c) the mortgagor may elect to maintain a noninterest bearing escrow account as described in clause (1) to be serviced by the mortgagee at no charge to the mortgagor.

A mortgagee that is not a depository institution offering passbook savings accounts shall instead of offering option (b) above notify its mortgagors (1) that they may open such accounts at a depository institution and (2) of the current maximum legal interest rate on such accounts.

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A mortgagee offering option (c) above to a mortgagor but not requiring the maintenance of escrow accounts shall notify its mortgagor of the options under (a), (b) and (c). The notice shall state the option and state that an escrow account is not required by the mortgagee, that the mortgagor is legally responsible for the payment of taxes and insurance, and that the notice is being given pursuant to this subdivision.

Notice shall be given within 30 days after the effective date of the provisions of Laws 1977, chapter 350 amending the subdivision, as to mortgagees offering option (c) above to mortgagors but not requiring escrow accounts as of the effective date, or within 30 days after a mortgagee's decision to discontinue requiring escrow accounts if the mortgagee continues to offer option (c) above to mortgagors. If no reply is received within 30 days, option (c) shall be selected for the mortgagor but the mortgagor may, at any time, select another option.

A mortgagee making a new mortgage and offering option (c) above to a prospective mortgagor shall, at the time of loan application, notify the prospective mortgagor of options (a), (b) and (c) above which must be extended to the prospective mortgagor. The mortgagor shall select one of the options at the time the loan is made.

Any notice required by this clause shall be on forms approved by the commissioner of commerce and shall provide that at any time a mortgagor may select a different option. The form shall contain a blank where the current pass-book rate of interest shall be entered by the mortgagee. Any option selected by the mortgagor shall be binding on the mortgagee.

This clause does not apply to escrow accounts which are excepted from the interest paying requirements of clause (1).

(3) A mortgagee shall be prohibited from charging a direct fee for the administration of the escrow account.

Sec. 12. Minnesota Statutes 1994, section 47.201, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For the purposes of this section, the terms defined in this subdivision shall have the meanings given them:

(1) "Financial institution" means a state bank or trust company, a national banking association, a state or federally chartered savings ~~and loan~~ association, a mortgage bank, or ~~mutual~~ savings bank.

(2) "Graduated payment home loan" means a conventional or cooperative apartment loan made pursuant to section 47.20 and subject to the provisions therein, whereunder initial periodic repayments are lower than those under the standard conventional or cooperative apartment loan having equal periodic repayments, and gradually rise to a predetermined point after which they remain constant.

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Sec. 13. Minnesota Statutes 1994, section 47.205, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Lender" means all state banks and trust companies, national banking associations, state and federally chartered savings ~~and loan~~ associations, mortgage banks, ~~mutual~~ savings banks, insurance companies, credit unions making a loan, or any person making a conventional loan as defined under section 47.20, subdivision 2, clause (3) or cooperative apartment loan as defined under section 47.20, subdivision 2, clause (4). A "selling lender" is a lender who sells, assigns, or transfers the servicing of a loan, to a "purchasing lender or a servicing agent."

(b) "Loan" means all loans and advances of credit authorized under section 47.20, subdivision 1, clauses (1) to (4) and conventional loans as defined under section 47.20, subdivision 2, clause (3) or cooperative apartment loan as defined under section 47.20, subdivision 2, clause (4).

(c) "Escrow account" means escrow, agency, or similar account for the payment of taxes or insurance premiums with respect to a mortgaged one-to-four family, owner occupied residence located in this state.

(d) "Person" means an individual, corporation, business trust, partnership or association, or any other legal entity.

Sec. 14. Minnesota Statutes 1994, section 47.209, subdivision 1, is amended to read:

Subdivision 1. **APPLICABILITY.** This section applies to any agreement entered into after December 31, 1992, for the financing or refinancing of a purchase of a manufactured home. As used in this section and section 277.17, "lender" includes a state bank and trust company, national banking association, state or federally chartered savings ~~and loan~~ association, mortgage bank, ~~mutual~~ savings bank, insurance company, credit union, or a dealer as defined in section 327B.01, subdivision 7, that enters into an agreement for financing or refinancing a purchase of a manufactured home.

Sec. 15. Minnesota Statutes 1994, section 47.27, subdivision 2, is amended to read:

Subd. 2. "Savings bank" shall have the meaning set forth in sections 47.01 and 47.02 ~~and shall also mean a mutual savings bank.~~

Sec. 16. Minnesota Statutes 1994, section 47.28, is amended to read:

47.28 SAVINGS BANKS MAY CONVERT INTO SAVINGS, BUILDING AND LOAN ASSOCIATIONS.

Subdivision 1. Any savings bank organized and existing under and by virtue

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of the law of this state may amend its articles of incorporation so as to convert itself into a savings, ~~building and loan~~ association, by complying with the following requirements and procedure:

The savings bank by a two-thirds vote of the entire board of ~~trustees~~ directors, at any regular or special meeting of said board duly called for that purpose, shall (a) pass a resolution declaring their intention to convert the savings bank into a savings, ~~building and loan~~ association, and (b) cause an application in writing to be executed, by such persons as the ~~trustees~~ directors may direct, in the form prescribed by the department of commerce, requesting a certificate of authorization (charter) as a savings, ~~building and loan~~ association to transact business at the place and in the name stated in the application. The amendments proposed to the articles of incorporation and bylaws shall be included as part of the application.

The application shall be submitted to, considered and acted upon by the department of commerce in the same manner and by the same standards as applications are submitted, considered and acted upon under section 51.08.

Subd. 2. If the certificate of authorization (charter) be issued, the articles of incorporation may then be amended so as to convert the savings bank into a savings, ~~building and loan~~ association by following the procedure prescribed for amending articles of incorporation of savings banks; ~~provided, that before any such conversion shall take place the secretary of the savings bank shall cause 30 days written notice of such intended conversion (which notice, before mailing, shall be submitted to and approved by the commissioner of commerce) to be mailed prepaid to each depositor, at the depositor's last known address according to the records of the bank, and after such notice each depositor may, prior to the time the conversion becomes final and complete, on demand and without prior notice, withdraw the full amount of deposit or such part thereof as the depositor may request, and upon such withdrawal the depositor shall receive interest to the date of withdrawal at the same rate last paid or credited by the bank, notwithstanding the provisions of any law, bylaw, or rule to the contrary.~~

Subd. 3. ~~At any time after the expiration of the 30 day period specified in subdivision 2; (which fact shall be evidenced by the secretary of the savings bank filing an affidavit to that effect with the commissioner of commerce and the secretary of state.)~~ Upon receipt of the fees required for filing and recording amended articles of incorporation of savings banks, the secretary of state shall record the amended articles of incorporation and certify that fact thereon, whereupon the conversion of such savings bank into a savings, ~~building and loan~~ association shall become final and complete and thereafter said corporation shall have the powers and be subject to the duties and obligations prescribed by the laws of this state applicable to savings, ~~building and loan~~ associations.

Subd. 4. ~~When the conversion of any savings bank into a savings, building and loan association becomes final and complete, the surplus fund of the bank shall become the contingent or reserve fund of the association and every person~~

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who was a depositor of the savings bank at the time of the conversion shall cease to be a depositor and shall thereafter be a shareholder of the savings, building and loan association and be credited with payments on that person's share account equal to the full amount on deposit with the savings bank at the time of conversion, plus interest to the date of conversion at the same rate last paid or credited by the bank, notwithstanding the provisions of any law, bylaw, or rule to the contrary.

Subd. 5. The resulting association shall as soon as practicable and within such time not extending beyond three years from the date the conversion becomes final and complete and by such methods as the department of commerce shall direct, cause its organization, its securities and investments, the character of its business, and the methods of transacting the same to conform to the laws applicable to savings, building and loan associations.

Sec. 17. Minnesota Statutes 1994, section 47.29, subdivision 1, is amended to read:

Subdivision 1. Any savings bank organized and existing under and by virtue of the laws of this state, is hereby authorized and empowered, by a two-thirds vote of the entire board of ~~trustees~~ directors, at any regular or special meeting of said board duly called for that purpose to convert itself into a federal association whenever said conversion is authorized by any act of the Congress of the United States: Provided, that before any such conversion shall become final and complete, (a) the secretary of the savings bank shall cause 30 days' written notice of such intended conversion (which notice, before mailing, shall be submitted to and approved by the commissioner of commerce) to be mailed prepaid to each depositor, at their last known address, according to the records of the bank, and after such notice each depositor may, prior to the time the conversion becomes final and complete, on demand and without prior notice, withdraw the full amount of the deposit or such part thereof as the depositor may request, and upon such withdrawal the depositor shall receive interest to the date of withdrawal at the same rate last paid or credited by the bank, notwithstanding the provisions of any law, bylaws, or rule to the contrary; and (b) that such conversion be approved in writing by the commissioner of commerce.

Sec. 18. Minnesota Statutes 1994, section 47.29, subdivision 2, is amended to read:

Subd. 2. At any time after the expiration of the 30 day period specified in subdivision 1, clause (a), (which fact shall be evidenced by the secretary of the savings bank filing an affidavit to that effect with the commissioner of commerce and the secretary of state of this state); Upon filing a copy of the federal charter, certified by the issuing federal agency with the secretary of state of this state, the secretary of state shall record said charter and certify that fact thereon, whereupon the conversion shall be final and complete and the savings bank shall at that time cease to be a savings bank supervised by this state, and shall thereafter be a federal association.

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Sec. 19. Minnesota Statutes 1994, section 47.30, subdivision 1, is amended to read:

Subdivision 1. Any capital stock savings; ~~building and loan~~ association organized and existing under and by virtue of the laws of this state may amend its articles of incorporation so as to convert itself into a savings bank, by complying with the following requirements and procedure:

A meeting of the shareholders shall be held upon not less than 15 days written notice to each shareholder, served either personally or by mail prepaid, directed to the shareholder's last known post office address according to the records of the association, stating the time, place and purpose of such meeting.

At such meeting, the shareholders may by two-thirds vote (according to the book value of said shares) of those present in person or by proxy pass a resolution declaring their intention to convert such association into a savings bank and setting forth the names of the proposed first board of ~~trustees~~ directors. A copy of the minutes of such meeting verified by the affidavit of the chair and the secretary of the meeting, shall be filed in the office of the department of commerce ~~and with the secretary of state~~ within ten days after the meeting. Such copy, when so filed, shall be evidence of the holding of such meeting and of the action taken.

Sec. 20. Minnesota Statutes 1994, section 47.30, subdivision 2, is amended to read:

Subd. 2. An application for a certificate authorizing a savings bank to transact business, in the form required by sections 46.041 and 46.046, shall be submitted to, considered and acted upon by the department of commerce in the same manner and by the same standards as applications are submitted, considered and acted upon under sections 46.041, 46.044, 46.046, and 50.01 and 50.02. The fees required by section 46.041 shall be paid and the amendments proposed to the articles of incorporation and bylaws shall be included as part of the application.

Sec. 21. Minnesota Statutes 1994, section 47.30, subdivision 3, is amended to read:

Subd. 3. If the department of commerce grants the application, the certificate of authorization (charter) shall be issued as provided by section 46.041, and the articles of incorporation may then be amended so as to convert the savings; ~~building and loan~~ association into a savings bank by following the procedure prescribed for amending articles of incorporation of savings; ~~building and loan~~ associations: Provided, that the proposed amended articles shall contain the names of, and be signed by, the proposed first board of ~~trustees~~ directors.

Sec. 22. Minnesota Statutes 1994, section 47.30, subdivision 5, is amended to read:

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Subd. 5. ~~At any time after the expiration of the 30 day period specified in subdivision 4, (which fact shall be evidenced by the secretary of the association filing an affidavit to that effect with the commissioner of commerce and the secretary of state); Upon receipt of the fees required for filing and recording amended articles of incorporation of savings, building and loan associations, the secretary of state shall record the amended articles of incorporation and certify that fact thereon, whereupon the conversion of such savings, building and loan association into a savings bank shall become final and complete and thereafter the signers of said amended articles and their successors shall be a corporation, and have the powers and be subject to the duties and obligations prescribed by the laws of this state applicable to savings banks.~~

Sec. 23. Minnesota Statutes 1994, section 47.32, is amended to read:

**47.32 CONVERTING INSTITUTION DEEMED CONTINUANCE;
TRANSFER OF PROPERTY AND RIGHTS.**

~~Upon the conversion of any savings bank into a savings, building and loan association or into a federal association, and of a savings, building and loan association or federal association into a savings bank, the corporate existence of the converting savings bank or association shall not terminate, and the resulting association or savings bank shall be a continuance of the converting savings bank or association; and all the property of the converting savings bank or association (including its rights) shall by operation of law vest in the resulting association or savings bank as of the time when the conversion becomes final and complete; and all of the obligations of the converting savings bank or association become those of the resulting association or savings bank. Actions and other judicial proceedings to which the converting savings bank or association is a party may be prosecuted and defended as if the conversion had not been made~~ the detached facilities of the savings bank shall become branches of the savings association or federal association. Upon conversion of any savings association or federal association into a savings bank, the branches of the savings association or federal association shall become detached facilities of the savings bank, notwithstanding the limitations on the number of facilities, distance limitations, geographic limitation, notice requirements, and consent requirements contained in sections 47.51 to 47.57.

Sec. 24. **[47.325] APPEAL AND JUDICIAL REVIEW.**

A savings bank aggrieved by any action or inaction of the commissioner under sections 47.27 to 47.32 may appeal under sections 14.63 to 14.69. The scope of judicial review in the proceedings is as provided in those sections.

Sec. 25. Minnesota Statutes 1994, section 47.62, subdivision 4, is amended to read:

Subd. 4. When more than one electronic financial terminal is established and maintained at a single place of business by the same person, or if a person wishes to make an application that encompasses more than one place of business

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or location, a single application and fee shall be sufficient. For each application, a \$100 fee shall be paid to the commissioner, and for each application for a change in pricing structure, a \$10 fee shall be paid to the commissioner. If the \$100 fee or the \$10 fee is less than the costs incurred by the commissioner in approving or disapproving the application, the fee shall be equal to those costs.

Sec. 26. Minnesota Statutes 1994, section 47.64, subdivision 1, is amended to read:

Subdivision 1. (a) Any person establishing and maintaining an electronic financial terminal located separate and apart from a financial institution's principal office, branch, or detached facility for use by one type of financial institution shall, upon written request, make its services available to any requesting financial institution of similar type on a fair, equitable, and nondiscriminatory basis ~~approved by the commissioner~~. A financial institution requesting use of an electronic financial terminal shall be permitted its use only if the financial institution conforms to reasonable technical operation standards which have been established by the electronic financial terminal provider ~~as approved by the commissioner~~. For purposes of this subdivision, the types of financial institutions are: (1) commercial banks and ~~mutual~~ savings banks; (2) credit unions, industrial loan and thrift companies, and regulated lenders under chapter 56; and (3) savings ~~and loan~~ associations. The services of an electronic financial terminal may be made available to any type of financial institution. After March 1, 1979, or earlier if determined by the commissioner to be technically feasible, an electronic financial terminal which is used by or made available to one type of financial institution shall be made available, upon request, to other types of financial institutions on a fair, equitable and nondiscriminatory basis ~~as approved by the commissioner~~. The charges required to be paid to any person establishing and maintaining an electronic financial terminal shall be related to an equitable proportion of the direct costs of establishing, operating, and maintaining the terminal plus a reasonable return on those costs to the owner of the terminal. The charges may provide for amortization of development costs and capital expenditures over a reasonable period of time.

(b) Any person establishing and maintaining an electronic financial terminal located on and as a part of a financial institution's principal office, branch, ~~or~~ detached facility, or lending office where deposits are not taken may, at the financial institution's option, (1) maintain the electronic financial terminal for the exclusive use of the financial institution's customers; or (2) maintain the electronic financial terminal for the use of the financial institution's customers and make some or all of the electronic financial terminal's services available to any other requesting financial institution on a fair, equitable, and nondiscriminatory basis ~~approved by the commissioner~~.

Sec. 27. Minnesota Statutes 1994, section 47.65, subdivision 1, is amended to read:

Subdivision 1. Any person may establish a transmission facility in this state upon approval by the commissioner pursuant to the provisions of this section, except that a financial institution may establish a transmission facility in this

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state after giving the commissioner written notice of its intent to do so, provided that the commissioner does not issue an order disallowing such establishment within 15 days after receiving a completed notice. Any such notice must be made using a form prescribed by the commissioner. A transmission facility which is used by, or made available to, any financial institution must be made available to all other financial institutions upon request of such financial institution and agreement by the financial institution to pay fees on a fair, equitable, and nondiscriminatory basis ~~approved by the commissioner~~. A person requesting use of a transmission facility shall be permitted its use only if the person conforms to reasonable technical operating standards which have been established by the transmission facility provider ~~as approved by the commissioner~~. The charges required to be paid to any person establishing a transmission facility shall be related to an equitable proportion of the direct costs of establishing, operating and maintaining such facility plus a reasonable return on those costs to the owner of the facility. The charges may provide for amortization of development costs and capital expenditures over a reasonable period of time.

Sec. 28. Minnesota Statutes 1994, section 47.65, subdivision 2, is amended to read:

Subd. 2. Before installation and operation, a transmission facility application by a person who is required to submit an application under subdivision 1 shall be submitted to the commissioner on a form provided by the commissioner which states:

- (a) The location where the transmission facility will be operated;
- (b) The ownership of the transmission facility;
- (c) If applicable, the bonding or insurance company which has provided the bond for the transmission facility; and
- (d) Such other information as the commissioner requires.

If the commissioner finds that (a) the facility will be properly and safely managed, (b) the applicant is financially sound, (c) there is a reasonable probability of success for the facility, (d) the proposed charges for making the services of the facility available to financial institutions are fair, equitable and nondiscriminatory, and (e) all information has been furnished by the applicant, the commissioner shall approve the application within 90 days. If the commissioner has not denied the application within 90 days of the submission of the application, the authorization shall be deemed granted. For each application, a \$500 fee shall be paid to the commissioner. For each application for change in pricing structure, a \$50 fee shall be paid to the commissioner. If the \$500 fee or the \$50 fee is less than the costs incurred by the commissioner in approving or disapproving the application, the application fee shall be equal to those costs.

Sec. 29. Minnesota Statutes 1994, section 48.01, subdivision 2, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 2. **BANKING INSTITUTION.** The term "banking institution" means any bank, trust company, bank and trust company, or ~~mutual~~ savings bank which is now or may hereafter be organized under the laws of this state. For purposes of sections 48.38, 48.84, and 501B.10, subdivision 6, and to the extent permitted by federal law, "banking institution" includes any national banking association or affiliate exercising trust powers in this state.

Sec. 30. Minnesota Statutes 1994, section 48.15, is amended by adding a subdivision to read:

Subd. 2a. AUTHORIZED ACTIVITIES. The commissioner may authorize a state bank to undertake any activities, exercise any powers, or make any investments that are authorized activities, powers, or investments as of the date of final enactment of this subdivision for any state savings bank doing business in this state, or that become authorized activities, powers, or investments for state savings banks after the date of final enactment of this subdivision. The commissioner may not authorize state banks to engage in any banking activity prohibited by the laws of this state.

Sec. 31. Minnesota Statutes 1994, section 49.01, is amended by adding a subdivision to read:

Subd. 7. STATE BANK. "State bank" for the purposes of sections 49.02 to 49.41, shall mean any bank, savings bank, trust company, or bank and trust company which is now or may hereafter be organized under the laws of this state.

Sec. 32. Minnesota Statutes 1994, section 49.42, is amended to read:

49.42 STATE BANK.

As used in sections 49.42 to 49.46 "state bank" means any bank (~~other than a mutual savings bank~~), savings bank, trust company, or bank and trust company which is now or may hereafter be organized under the laws of this state.

Sec. 33. **[50.001] APPLICATION FOR CERTIFICATE OF AUTHORITY; PROCEDURE.**

The procedures for the application and issuance of a certificate of authority to a savings bank organized pursuant to section 300.025 shall be those applicable to a state bank in sections 46.041 to 46.045.

Sec. 34. Minnesota Statutes 1994, section 50.01, is amended to read:

50.01 EXPEDIENCY ASCERTAINED.

To enable the commissioner of commerce to determine the expediency of the organization of a savings bank, as in this chapter prescribed, the commissioner shall investigate and ascertain:

New language is indicated by underline, deletions by ~~strikeout~~.

(1) Whether greater convenience of access to a savings bank will be afforded to any considerable number of depositors by opening the proposed bank;

(2) Whether the population in the vicinity of the location of the bank affords reasonable promise of adequate support therefor; and

(3) Whether the responsibility, character, and general fitness of the persons named as ~~trustees~~ directors in the certificate are such as to command the confidence of the community in the proposed bank.

Sec. 35. Minnesota Statutes 1994, section 50.04, is amended to read:

50.04 BONDS OF TRUSTEES OR DIRECTORS.

Every ~~trustee~~ director, before entering upon any duties, shall give bond to the state in a penal sum of not less than \$5,000, with sureties approved by a ~~judge of the district court~~ commissioner of commerce, conditioned for the faithful discharge of those duties, and file the same ~~for record~~ with the ~~county recorder of the county, who, after record, shall transmit it to the~~ commissioner of commerce. An action may be maintained on this bond by any person aggrieved by breach of any of its conditions, upon leave granted by any ~~such~~ judge of the district court, for such damages as the plaintiff may be entitled to, not exceeding its amount; and like successive actions may be maintained until such amount is exhausted.

Sec. 36. Minnesota Statutes 1994, section 50.05, is amended to read:

50.05 BOND OF TREASURER BONDS OF OFFICERS AND EMPLOYEES.

~~Before entering upon any duties, the treasurer shall give bond to the bank in such sum, not less than \$10,000, as the board of trustees shall prescribe, for the faithful discharge of those duties, and at any time thereafter may be required by the board to furnish additional security. The board may also require, at any time, from any other officer, employee, or agent, such security as it deems necessary. A savings bank shall be protected against loss by reason of the unlawful act of its officers or employees by a surety bond in an amount approved by the board of directors and issued by a solvent corporate surety in good standing authorized to do business in this state, or by a fidelity insurance policy written by a solvent insurance company in good standing authorized to do business in this state. The commissioner of commerce or the board of directors of the savings bank may require an increase of the amount of the bond whenever either deems it necessary. This section shall not require the bonding or insuring of officers or directors of a savings bank not having active management or control of the savings bank or of employees of a savings bank not holding positions of trust. Any bond given or contract of insurance secured shall be in favor of the savings bank.~~

Sec. 37. Minnesota Statutes 1994, section 50.06, is amended to read:

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50.06 ~~TRUSTEES~~ DIRECTORS; FIRST BOARD.

The business of every such stock savings bank shall be managed by a board of not less than seven ~~trustees~~ directors. The persons named in the certificate of authorization shall constitute the first board. Each vacancy shall be filled by the board as soon as practicable, at a regular meeting thereof, except when a resolution reducing the number of ~~trustees~~ directors named in its charter to a number not less than seven shall have been incorporated into its bylaws, and a copy thereof filed with the commissioner of commerce, in which case vacancies shall not be filled until the number has been reduced to that specified in this resolution. The number may be increased to any number specified in a like resolution, consented to, in writing, by the commissioner of commerce.

Sec. 38. [50.085] POWERS.

Subdivision 1. GENERALLY. Every savings bank incorporated pursuant to or operating under this chapter shall be a body corporate; shall have all the powers enumerated, authorized, and permitted by this chapter and other applicable law; shall have other rights, privileges, and powers as may be incidental to or reasonably necessary or appropriate for the accomplishment of the objects and purposes of the savings bank; and shall have those powers possessed by corporations organized under chapter 300.

Subd. 2. BORROWING. A savings bank may borrow money and issue its obligations for the borrowed money, including, but not limited to, obligations, bonds, notes, or other debt securities, except as otherwise provided by this chapter or by rules of the commissioner of commerce. An obligation, bond, note, or other debt security may include a written provision subordinating the debt to claims of other creditors or of depositors. Borrowings may be secured by property of the savings bank.

Subd. 3. FACILITATING ORGANIZATIONS. A savings bank may become a member of, purchase stock or securities in, deposit money with, deal with, make reasonable payments or contributions to, or comply with any other conditions of membership or credit from any corporation or agency of the United States or of this state, or of any other organization to the extent the corporation, agency, or organization assists in furthering or facilitating the saving bank's purposes, powers, or community responsibilities.

Subd. 4. LOANS, CONTRACTS, AND LEASES. A savings bank may make, sell, purchase, invest in, and participate or otherwise deal in loans and installment sale contracts and other forms of indebtedness, and take any manner of security for the loans and contracts. A savings bank may also acquire and lease or participate in the acquisition and leasing of personal property.

Subd. 5. SAVINGS, LOANS, INVESTMENT. A savings bank may acquire deposits in the form of demand accounts, checking accounts, negotiable order of withdrawal accounts, savings accounts, time deposits, money market deposit accounts, treasury tax and loan accounts, and other types of deposits, and pay interest or dividends on those accounts, except that interest or dividends must not be paid on demand deposit accounts. No capital stock savings bank shall

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accept deposits in a sum exceeding 30 times the amount of its capital stock and its actual surplus.

Subd. 6. INSURANCE OF ACCOUNTS. A savings bank may obtain and maintain insurance of its deposit accounts by the federal deposit insurance corporation or any other federal agency established for the purpose of insuring deposit accounts in savings banks.

Subd. 7. SAFE DEPOSIT BOXES. A savings bank may maintain and let safes, boxes, or other receptacles for the safekeeping of personal property upon agreed upon terms and conditions. This subdivision does not supersede any inconsistent provision of statute.

Subd. 8. DRAFTS. A savings bank may issue drafts and similar instruments drawn on the savings bank to aid in effecting withdrawals and for other purposes of the savings bank; accept for payment at a future date drafts drawn upon it by its customers; and issue, advise, or confirm letters of credit authorizing holders to draw drafts upon it or its correspondents.

Subd. 9. FISCAL AGENT. A savings bank may act as fiscal agent of the United States, and, when so designated by the Secretary of Treasury, perform, under regulations the secretary prescribes, all reasonable duties as fiscal agent of the United States as the secretary may require; and act as agent for any instrumentality of the United States and as agent of this state and any instrumentality of it.

Subd. 10. SERVICING. A savings bank may service loans and investments for others.

Subd. 11. INSURANCE AGENCY. (a) A savings bank located and doing business in any place where the population does not exceed 5,000 inhabitants as shown by the last preceding decennial census may, directly or through a subsidiary, subject to any rules adopted by the commissioner, act as an agent for any property-casualty, life, or other insurance company authorized by the commissioner to do business in this state. Except as provided in paragraph (c), a savings bank may not directly or through a subsidiary act as an agent for any property-casualty, life, or other insurance company in any place where the population exceeds 5,000 inhabitants as shown by the last preceding decennial census.

(b) To the extent allowed under paragraphs (a) and (c), a savings bank or its subsidiary may solicit or sell insurance and collect premiums on policies issued by the insurance company and may receive for these services the fees and commissions agreed upon between the savings bank and the insurance company.

(c) A savings bank may, directly or through a subsidiary, act as an agent for any property-casualty, life, or other insurance company in a place where the population exceeds 5,000 inhabitants as shown by the last preceding decennial census, if:

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(1) the savings bank is a direct or indirect subsidiary of a state or federal savings association or of a state or federal savings association holding company that, prior to the date of enactment of this subdivision, had a license from the commissioner to solicit or sell insurance of the type in question, or directly or indirectly controlled a subsidiary that held such a license; or

(2) the savings bank is a successor to a state or federal savings association as a result of merger, charter conversion, or otherwise, which association, prior to the date of enactment of this subdivision, held a license from the commissioner to solicit or sell insurance of the type in question, or directly or indirectly controlled a subsidiary that held such a license.

Subd. 12. LIMITED TRUSTEESHIP. A savings bank may act as trustee or custodian of a self-employed retirement plan under the federal Self-Employed Individual Tax Retirement Act of 1962, as amended, and of an individual retirement account under the federal Employee Retirement Income Security Act of 1974, as amended, to the same extent permitted for state banks under section 48.15. All funds held in a fiduciary capacity by the savings bank under the authority of this subdivision may be commingled and consolidated for appropriate purposes of investment if records reflecting each separate beneficial interest are maintained by the fiduciary unless the responsibility is lawfully assumed by another appropriate party.

Subd. 13. ESCROW. A savings bank may engage in an escrow business.

Subd. 14. TRUST POWERS. Upon application to and approval by the commissioner of commerce, a savings bank may act as trustee, executor, administrator, personal representative, conservator, custodian, guardian, or in any other fiduciary capacity in which state banks, trust companies, or other corporations are permitted to act, and receive reasonable compensation for it. A savings bank that has complied with sections 48.36 to 48.43 and 48.475, and holds a certificate as provided in section 48.37, may exercise the powers and privileges set forth in sections 48.38, 48.475, 48.84, 48.841, 48.846, and 48.86. A savings bank that has qualified and obtained a certificate, as provided in sections 48.36 to 48.43, may use in its corporate name or title, in addition to the words "savings bank" or other words permitted by law, the words "trust" or "trust company," and may display and make use of signs, symbols, tokens, letterheads, cards, circulars, and advertising stating or indicating that it is authorized to transact the business authorized by those sections, and a savings bank using the words "trust" or "trust company" is not required to use the word "state" in its corporate name. A savings bank may not invest, pursuant to section 50.1465, in a corporation that engages in activities described in this subdivision, without first obtaining the approval of the commissioner of commerce.

Subd. 15. SECURING DEPOSITS. In addition to the authority conferred in subdivision 2, a savings bank may pledge, hypothecate, assign or transfer, or create a lien upon or charge against its assets to secure: (1) public funds, including money or deposits of the United States or any instrumentality of it and of

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this state or any instrumentality of it; (2) money or deposits of a trustee in bankruptcy; (3) money borrowed in good faith from other banks, trust companies, financial institutions, or any financial agency created by act of Congress; (4) the acquisition of real estate to be carried as an asset as provided in section 47.10; (5) a liability that arises from a transfer of a direct obligation of, or obligations that are fully guaranteed as to principal and interest by, the United States government or an agency of it that the savings bank is obligated to repurchase; (6) money and deposits held in escrow; (7) money and deposits if acting as a corporate fiduciary; and (8) treasury tax and loan accounts as provided in section 50.171.

Subd. 16. DATA PROCESSING SERVICES. A savings bank may provide data processing services to others and act as a custodian of records for others on a for-profit basis and utilize data processing services and place records of the savings bank for storage and safekeeping with another person for a fee.

Subd. 17. ELECTRONIC FINANCIAL TERMINALS. A savings bank may directly or indirectly acquire, place, and operate, or participate in the acquisition, placement, and operation of, electronic financial terminals and transmission facilities, in accordance with the requirements of sections 47.61 to 47.74.

Subd. 18. ADDITIONAL POWERS AUTHORIZED FOR STATE BANKS. A savings bank may exercise the powers that are specifically enumerated by law for banks authorized to do business under chapter 48.

Subd. 19. PARITY PROVISION. (a) In addition to other investments authorized by law and the powers conferred by this chapter, and subject to the regulation of the commissioner of commerce, a savings bank may, directly or through a subsidiary, undertake any activities, exercise any powers, or make any investments that any state bank or national bank located or doing business in this state may undertake, exercise, or make as of the date of enactment of this subdivision.

(b) The commissioner may authorize a savings bank to undertake any activities, exercise any powers, or make any investments that become authorized activities, powers, or investments after the date of final enactment of this subdivision for any state bank or national bank located or doing business in this state.

(c) Subject to rules adopted by the commissioner, and subject to the investment limits in section 50.1465, a subsidiary of a savings bank may undertake any activities, exercise any powers, or make any investments not authorized for any state bank or national bank but authorized as of the date of final enactment of this subdivision for any state bank or national bank subsidiary located and doing business in this state.

(d) The commissioner may authorize a subsidiary of a savings bank to undertake any activities, exercise any powers, or make any investments that become authorized activities, powers, or investments after the date of final enactment of this subdivision for any state bank or national bank subsidiary located and doing business in this state.

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(e) The commissioner at any time may limit any activity, power, or investment for any savings bank or savings bank subsidiary under this subdivision or section 50.1465, subdivision 1, clauses (2) and (3), for supervisory, legal, or safety and soundness reasons. A savings bank aggrieved by an action of the commissioner under this subdivision may appeal the action, and the proceedings shall be conducted pursuant to sections 14.63 to 14.69.

Sec. 39. Minnesota Statutes 1994, section 50.11, is amended to read:

50.11 SECURITIES HELD FOR SAFEKEEPING; SAFE DEPOSIT BOXES; LIMITATION OF LIABILITY.

A ~~mutual~~ savings bank may receive for safekeeping for its depositors obligations of the United States or its possessions or of a state or territory of the United States, or of any political subdivision of any such state or territory, and it may provide for, and hire to, its depositors safe deposit boxes in which to keep securities and valuable papers, but the liability of a savings bank to any person or association of persons on account of hiring such safe deposit box or boxes shall in no event exceed \$20,000.

Sec. 40. Minnesota Statutes 1994, section 50.13, is amended to read:

50.13 REAL ESTATE.

~~Any such~~ A savings bank may purchase, hold, or convey land sold upon foreclosure of mortgages owned by it, or upon judgments or decrees in its favor, or in settlement of debts, or received in exchange as part of the consideration of real estate sold by it. Real estate so received in exchange shall not be carried on the books of the bank at a price exceeding the cost of that exchanged, less the cash payment, and all real estate so acquired shall be sold within ten years after its acquirement, unless the time is extended by the commissioner of commerce on application of the board of ~~trustees~~ directors.

Sec. 41. Minnesota Statutes 1994, section 50.14, subdivision 1, is amended to read:

Subdivision 1. Except as it relates to the investment of trust funds by corporate trustees or by individual trustees, the term "authorized securities" whenever used in the statutes and laws of this state shall be understood as referring to the following described securities in which the ~~trustees~~ directors of any savings bank shall invest the money deposited therein and which at the time of the purchase thereof are included in one or more of the following classes.

Sec. 42. Minnesota Statutes 1994, section 50.14, subdivision 5, is amended to read:

Subd. 5. (1) Class four shall be:

(a) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate, whether in fee or in a leasehold of a duration not less than ten years

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beyond the maturity of the loan, in any state of the United States, worth at least ~~twice~~ the amount loaned thereon;

(b) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate in clause (1)(a) where the notes or bonds do not exceed 80 percent of the appraised value of the security for the same, provided that the notes or bonds are payable in installments aggregating not less than five percent of the original principal a year in addition to the interest; or, are payable on a regular amortization basis in equal installments, including principal and interest, these installments to be payable monthly in amounts that the debt will be fully paid in not to exceed 30 years if the security is nonagricultural real estate, and these installments to be payable annually or semiannually in amounts that the debt will be fully paid in not to exceed 25 years if the security is agricultural real estate. A construction loan is deemed amortized as required by this clause if the first installment thereon is payable not later than 18 months after the date of the first advance in the case of residential construction or not later than 36 months after the date of the first advance in the case of nonresidential construction; and

(c) Notes or bonds secured by mortgages or trust deeds on unencumbered real estate in clause (1)(a) which are in an original principal amount of \$100,000 or more and which do not exceed 95 percent of the appraised value of the security for the same which may be payable in the manner as the ~~trustees~~ directors of the savings bank prescribe, provided that construction loans made by a savings bank pursuant to this clause (1)(c) do not exceed in the aggregate five percent of the assets of the savings bank.

(2) Class four investments shall be made only on report of a committee directed to investigate the same and report its value, according to the judgment of its members, and its report shall be preserved among the bank's records.

(3) Notwithstanding anything to the contrary in clause (1)(b), a ~~mutual~~ savings bank organized under the laws of this state may invest in notes or bonds secured by mortgages or trust deed where the notes or bonds do not exceed 95 percent of the appraised value of the security for the same. Except as modified herein, the other provisions of clause (1)(b) apply.

(4) For purposes of this subdivision, real estate is deemed unencumbered if the only existing mortgage or lien against the real estate is a first mortgage lien in favor of the savings bank making a second mortgage loan or if the total unpaid aggregate of all outstanding liens against the same real estate does not exceed 80 percent of its appraised value.

(5) Renegotiable rate notes or bonds secured by mortgages or trust deeds where the notes or bonds do not exceed 95 percent of the appraised value of the security for the same.

For the purposes of this clause, a renegotiable rate mortgage loan is a loan issued for a term of three years to five years, secured by a mortgage maturing in not to exceed 30 years, and automatically renewable at equal intervals after the

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original loan term which may be up to six months shorter or longer than subsequent terms. The loan must be repayable in equal monthly installments of principal and interest during the loan term, in an amount at least sufficient to amortize a loan with the same principal and at the same interest rate over the remaining life of the mortgage.

In the mortgage documents, the savings bank must grant to the borrower an option to renew the loan for a new term, but not beyond the maturity date of the mortgage, at a new interest rate which shall be the savings bank's current market rate of interest on similar loans determined 60 days before the due date of the loan: provided, that the maximum interest rate increase shall be equal to one-half of one percent per year multiplied by the number of years in the loan term with a maximum net increase of five percent over the life of the mortgage. Interest rate increases are optional with the savings bank; net decreases from the previous loan term are mandatory.

The borrower may not be charged costs connected with the renewal of the loan.

Sixty days before the due date of the loan, the savings bank shall send a written notification to the borrower containing the following information: (i) The date on which the entire balance of borrower's loan is due and payable; (ii) a statement that the loan will be renewed automatically by the savings bank at the rate specified in the notice unless the borrower pays the loan by the due date; (iii) the amount of the monthly payment, calculated according to the new rate determined at the time of notice; (iv) a statement that the borrower may prepay the loan without penalty at any time after the original loan becomes due and payable; and (v) the name and phone number of a savings bank employee who will answer the borrowers' questions concerning the information in the notice.

An applicant for a renegotiable rate mortgage loan must be given, at the time an application is requested, written disclosure materials prepared in reasonably simple terms that contain at least the following information: (i) An explanation of how a renegotiable rate mortgage differs from a standard fixed rate mortgage; (ii) an example of a renegotiable rate mortgage indicating the maximum possible interest rate increase and monthly payment calculated on that rate at the time of the first renewal; and (iii) an explanation of how the savings bank determines what the rate will be at the end of each loan term.

(6) An investment in notes or bonds secured by mortgages or trust deeds on real estate in fee or in a leasehold may exceed the 80 percent requirement in paragraph (1), clause (b), and the 95 percent requirement in paragraph (2), if the amount of the loan in excess of those limits is insured or guaranteed by a private mortgage insurer that the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association has determined to be a qualified private insurer.

Sec. 43. Minnesota Statutes 1994, section 50.14, subdivision 7, is amended to read:

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Subd. 7. Class six shall be the "eligible obligations" of "qualifying railroad corporations," both as hereinafter defined.

(A) A "qualifying railroad corporation" shall be one which at the time of investment

(1) Shall have been incorporated under the laws of the United States or of any state thereof or of the District of Columbia, and

(2) Shall own or operate within the United States not less than 500 miles of standard gauge railroad lines exclusive of sidings, or shall have had, for its five preceding fiscal years, average gross railway operating revenues of at least \$10,000,000 annually, or shall own or operate railroad terminal property located in a city within the United States having at least 200,000 population, and

(3) Shall not have been in default in the payment of any part of the principal or interest owing by it upon any part of its funded indebtedness, at any times during its current fiscal year and its five consecutive fiscal years immediately prior thereto, except that if the corporation shall have been reorganized in receivership or bankruptcy within such period such corporation shall not have been in such default since the effective date of reorganization, and

(4) Shall not have fixed interest obligations in excess of 60 percent of the total sum of (a) its fixed interest obligations, (b) obligations, if any, bearing interest on a contingent basis, (c) preferred stock, if any, at par or stated value, (d) common stock at par or stated value and (e) earned surplus, and

(5) Shall have had net earnings (a) in its five fiscal years immediately preceding time of purchase, of an average annual amount not less than 1-1/2 times the fixed charges of the year immediately preceding time of purchase, and (b) in four of its five fiscal years immediately preceding time of purchase and in its fiscal year immediately preceding time of purchase, not less than the fixed charges of those respective years, except that if the corporation shall have been reorganized in receivership or bankruptcy within such period, its net earnings for each year shall have been not less than the fixed charges of the reorganized company. As used herein "net earnings" shall be defined as gross operating and nonoperating income of a railroad corporation or its predecessor corporation, minus traffic and transportation expenses, maintenance, depreciation, rent of equipment and joint facilities, and other operating expenses, and taxes excluding income and profits taxes. As used herein "fixed charges" shall be defined as interest on debt on which there is an unqualified obligation to pay interests, leased line rentals and amortization of debt discount and expense, except that if a corporation has been reorganized in receivership or bankruptcy within five years prior to time of purchase "fixed charges" shall be the fixed charges of the reorganized company.

(B) "Eligible obligations" shall be bonds, notes or other obligations which

(1) Shall have been issued by a qualifying railroad corporation, or shall have

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been assumed or guaranteed as to principal and interest by a qualifying railroad corporation, and

(2) Shall bear interest at a fixed rate, and

(3) Shall have a definite maturity date, and

(4) Shall be secured by either (a) a lien upon railroad lines which shall be a first lien upon at least two-thirds of the total mileage covered by such lien and upon at least 100 miles of main lines or (b) a first mortgage or lien on railroad terminal property and assumed or guaranteed as to principal and interest by two or more qualifying railroad corporations.

(C) No ~~such~~ savings bank shall invest in securities of Class Six to an amount exceeding in the aggregate 15 percent of its deposits; nor in securities of Class Six secured by lien upon railroad lines, issued, guaranteed, or assumed by any one railroad corporation to an amount exceeding two percent of its deposits; nor in securities of Class Six secured by lien upon any one railroad terminal property to an amount exceeding one percent of its deposits.

The requirements set forth herein governing investments in securities under this subdivision shall affect only those securities acquired after the effective date of Laws 1945, chapter 140.

Sec. 44. Minnesota Statutes 1994, section 50.14, subdivision 8, is amended to read:

Subd. 8. Class seven shall be farm loan bonds issued by any federal land bank, or by a joint stock land bank in the Federal Reserve district in which Minnesota is situated, in accordance with the provisions of an act of Congress of the United States of July 17, 1916, known and designated as "The Federal Farm Loan Act," and acts amendatory thereto; stocks, bonds, and obligations of the Federal Home Loan Banks established by act of Congress known as the Federal Home Loan Bank Act approved July 22, 1932, and acts amendatory thereto; and bonds issued by the federal land banks, federal intermediate credit banks, and the banks for cooperatives in accordance with the provisions of an act of Congress of the United States known as the Farm Credit Act of 1971, and acts amendatory thereto.

Sec. 45. Minnesota Statutes 1994, section 50.145, is amended to read:

50.145 AUTHORIZED INVESTMENTS.

Any ~~mutual~~ savings bank subject to the supervision of the commissioner of commerce of the state of Minnesota shall in addition to other investments authorized by law have the power to purchase and hold as investments such bonds and securities as are legal investments for state banks and trust companies in Minnesota, but subject however to any limitation in such power that may be imposed by the commissioner of commerce, and the total amount of the investments made by any bank pursuant to this section and held at any one time shall

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not exceed 20 percent of the deposit liability of such bank, and not to exceed three-fourths of one percent of the deposit liability of such bank may be invested pursuant hereto in the securities or obligations of any one obligor.

Sec. 46. Minnesota Statutes 1994, section 50.146, is amended to read:

50.146 AUTHORIZED INVESTMENTS; CORPORATIONS.

Subdivision 1. In addition to other investments authorized by law, a ~~mutual~~ savings bank may invest in the following:

(a) The preferred stocks of any corporation organized under the laws of the United States or of any state, except banks, bank holding companies and trust companies, provided the net earnings of such corporation available for its fixed charges for five fiscal years next preceding the date of investment shall have averaged per year not less than 1-1/2 times the sum of its annual fixed interest charges, if any, its annual maximum contingent interest, if any, and its annual preferred dividend requirements; and during either of the last two years of such period, such net earnings shall have been not less than 1-1/2 times the sum of its fixed interest charges, if any, contingent interest, if any, and preferred dividend requirements for such year.

(b) The common stocks of any corporation organized under the laws of the United States or of any state, except banks, bank holding companies and trust companies, provided such stocks are registered on a national securities exchange, and such corporation shall have earned and paid cash dividends on its common stocks in each year for a period of ten fiscal years next preceding the date of investment.

(c) The stocks and bonds, notes, debentures or any other obligation of any corporation organized under the laws of the United States or of any state, except the stock of banks, bank holding companies and trust companies located in the Ninth Federal Reserve District, provided such investment shall be made with such prudence, discretion, and intelligence as will protect the safety of the principal of such investment as well as the income to be derived therefrom.

Subd. 2. No investment shall be made by a ~~mutual~~ savings bank pursuant to subdivision 1 in any corporation if the total amounts so invested by it exceeds an amount equal to 15 percent of its assets, or if the total investment in any one corporation exceeds (1) in amount, one-half of one percent of the assets of the savings bank, or (2) in number of shares, one percent of the total issued and outstanding shares of stock of such corporation, or if the total investment pursuant to the provisions of paragraph (c) of subdivision 1 exceeds an amount equal to three percent of the assets of the savings bank, nor shall any investment be made in any corporation with assets of less than ten million dollars.

Subd. 3. Investments made pursuant to subdivision 1 shall be limited to ~~mutual~~ savings banks organized under the laws of this state.

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Sec. 47. Minnesota Statutes 1994, section 50.1465, is amended to read:

50.1465 **AUTHORIZED INVESTMENTS; SERVICE CORPORATIONS.**

Subdivision 1. **GENERALLY.** In addition to other investments authorized by law, a ~~mutual~~ savings bank may invest in the following:

The capital stock, obligations, or other securities of any corporation organized under the laws of this state if all or a majority of the capital stock of the corporation is owned by the ~~mutual~~ savings bank, and if substantially all of the activity of the corporation consists of ~~originating, making, purchasing, selling and servicing loans; and participation in loans; secured by real estate including brokerage and warehousing of the real estate loans;~~

(1) activities in which the savings bank could engage directly;

(2) activities in which a state bank or national bank, or a subsidiary of a state bank or national bank, is authorized to engage as of the date of final enactment of this section; and

(3) activities in which any state bank or national bank becomes authorized to engage after the date of final enactment of this section, which are authorized by the commissioner.

Subd. 2. **RESTRICTION.** No ~~mutual~~ savings bank may make any investment under subdivision 1 in a subsidiary that engages primarily in activities in which the savings bank could not engage directly if its aggregate outstanding investment under this section in all subsidiaries that engage in activities in which the savings bank could not engage directly exceeds three 25 percent of the assets capital stock and surplus of the ~~mutual~~ savings bank.

Sec. 48. Minnesota Statutes 1994, section 50.148, is amended to read:

50.148 **AUTHORIZED INVESTMENTS; MANUFACTURED HOME LOANS.**

In addition to other investments authorized by law, a savings bank organized and operated pursuant to this chapter, may make loans upon the security of manufactured homes, and any equipment installed or to be installed therein, in an amount not exceeding ~~\$25,000~~ \$30,000 repayable in installments, ~~and may make a charge for such loan computed at a rate not exceeding 12 percent per annum upon the unpaid principal balance of the amount financed; and~~ the installment payments shall not exceed ~~12~~ 15 years and 32 days from the date of the loan, notwithstanding that such loan is required to be repaid in installments or that the loan is secured by mortgage, pledge, or other collateral. ~~The provisions of sections 48.154 to 48.157 Section 50.1485, subdivision 2, shall apply~~ applies to all manufactured home loans made pursuant to the authority granted by this section. The authority granted by this section shall not extend to loans which finance the acquisition of inventory by a manufactured home dealer. A savings bank may purchase or invest in notes, bonds and retail installment sales contracts secured by or constituting first liens upon manufactured homes.

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Sec. 49. [50.1485] LENDING AUTHORITY.

Subdivision 1. GENERALLY. In addition to other investments authorized by law, a savings bank may make, purchase, or invest in:

(a) loans secured by the pledge of policies of life insurance, the assignment of which is properly acknowledged by the insurer;

(b) consumer loans, which may be unsecured or secured by personal or real property. Consumer loans include, but are not limited to, closed-end installment loans, single payment loans, nonamortizing loans, open-end revolving line of credit loans, credit card loans and extensions of credit, and overdraft protection loans. For the purpose of this paragraph, "consumer loan" means a loan made by the savings bank in which: (1) the debtor is a person other than an organization; (2) the debt is incurred primarily for personal, family, or household purpose; and (3) the debt is payable in installments or a finance charge is made;

(c) secured and unsecured loans to organizations and natural persons for business or commercial purposes. For the purpose of this paragraph, "organization" means a corporation, government or governmental subdivision, or agency, trust, estate, partnership, limited liability partnership, limited liability company, joint venture, cooperative, or association. "Business or commercial purpose" means a purpose other than personal, family, household, or agricultural purpose;

(d) secured and unsecured loans for agricultural purposes. For the purpose of this paragraph, "agricultural purpose" means a purpose relating to the production, harvest, exhibition, marketing, transportation, processing, or manufacture of agricultural products. "Agricultural products" includes agricultural, horticultural, viticultural, and dairy products, livestock, wildlife, poultry, bees, and forest products, and products raised or produced on farms, including processed or manufactured products;

(e) credit sale contracts, which means a sale of goods, services, or an interest in land in which credit is granted by a seller who regularly engages as a seller in credit transactions of the same kind, and the debt is payable in installments or a finance charge is made;

(f) loans on the security of deposit accounts;

(g) real estate loans, subject to the conditions applicable to savings associations under sections 51A.38 and 51A.385. "Real estate loans" include a loan or other obligation secured by a first lien on real estate in fee or in a leasehold extending or renewable automatically for a period of at least ten years beyond the date scheduled for the final principal payment of the loan or obligation, or a transaction out of which a first lien or claim is created against the real estate, including the purchase of the real estate in fee by a savings bank and the concurrent or immediate sale of it on installment contract;

(h) secured or unsecured loans for the purpose of repair, improvement, rehabilitation, or furnishing of real estate;

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(i) loans for the purpose of financing or refinancing an ownership interest in certificates of stock, certificates of beneficial interest, or other evidence of an ownership interest in, or a proprietary lease from, a corporation, limited liability company, trust, limited liability partnership, or partnership formed for the purpose of the cooperative ownership of real estate, secured by the assignment or transfer of certificates or other evidence of ownership of the borrower;

(j) loans guaranteed or insured, in whole or in part, by the United States or any of its instrumentalities;

(k) issuance of letters of credit or other similar arrangements; and

(l) any other type of loan authorized by rules adopted by the commissioner.

Subd. 2. LOANS AND EXTENSIONS OF CREDIT. (a) A savings bank may extend credit and make loans under section 47.59 on the same terms and subject to the same conditions as apply to other lenders under that chapter. A person may enter into a credit sale or service contract for sale to a savings bank, and a savings bank may purchase and enforce the contract, under the terms and conditions set forth in section 47.59, subdivisions 1 and 4 to 14.

(b) A savings bank may make or purchase extensions of credit authorized by sections 47.20, subdivision 1, 3, or 4a; 47.204; 47.21; 47.60; 48.153 to 48.155; 48.185; 48.195; 59A.15; 168.66 to 168.77; 334.01; 334.011; 334.012, and any other applicable law. The extensions of credit or purchases of extensions of credit may, but need not, be made under those sections in lieu of the authority set forth in subdivision 2, and if so, are subject to those sections, and not subdivision 2. A savings bank may also charge an organization any rate of interest and any charges agreed to by the organization and may calculate and collect finance and other charges in any manner agreed to by that organization. Except for extensions of credit the savings bank elects to make under section 334.01, subdivision 2, 334.011, or 334.012, chapter 334 does not apply to extensions of credit made pursuant to this section or the sections mentioned in this subdivision.

Subd. 3. LIMIT ON TOTAL LIABILITIES. The total liabilities to a savings bank, as principal, guarantor, or endorser of an individual, including the liabilities of a corporation which the individual owns or controls a majority interest in, a partnership, limited liability partnership, limited liability company, or unincorporated association, and in case of a corporation, of all subsidiaries of it in which the corporation owns or controls a majority interest, shall never exceed the limit provided for state banks under section 48.24.

Subd. 4. REAL ESTATE LOANS. In the case of any investment made by a savings bank in a loan secured by a mortgage on real property, including a real estate loan, in the event the ownership of the real estate security or any part of it becomes vested in a person other than the party or parties originally executing the security instruments, and provided there is not an agreement in writing to the contrary, a savings bank may, without notice to the other party or parties, deal with the successor or successors in interest with reference to the mortgage

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and the debt secured in the same manner as with the party or parties, and may forbear to sue or may extend time for payment of or otherwise modify the terms of the debt secured, without discharging or in any way affecting the original liability of the party or parties upon the debt secured.

Subd. 5. LEASES OF PERSONAL PROPERTY. A savings bank may acquire and lease or participate in the acquisition and leasing of personal property to customers, and may incur additional obligations incidental to becoming an owner and lessor of the property to the same extent, and subject to the same conditions, as state banks under section 48.152.

Sec. 50. Minnesota Statutes 1994, section 50.155, is amended to read:

50.155 PURCHASE OF CERTAIN MORTGAGE LOANS.

Savings banks and mutual savings banks that are subject to the supervision of the commissioner of commerce are authorized to make or purchase loans secured by real estate mortgage the payment of which is guaranteed in whole or in part by the United States or any instrumentality thereof under the Servicemen's Readjustment Act of 1944 and amendments thereof provided that the unguaranteed portion of such loan does not exceed 70 percent of the appraised value of the security.

Sec. 51. Minnesota Statutes 1994, section 50.17, is amended to read:

50.17 DEPOSITS, DIVIDENDS, INTEREST, BONUS, BENEFITS.

Subdivision 1. DEPOSIT ACCOUNTS. Every deposit and all dividends credited thereto shall be repaid; after demand, in such manner, at such times, and after such previous notice as the board of trustees shall prescribe; but the savings bank shall not be required to pay a greater dividend than four percent per annum. Depositors shall receive, as nearly as may be, all the profits after deducting necessary expenses, and setting aside annually such sum as the board deems expedient, for a surplus fund for the security of its depositors; and to meet contingencies; until this fund shall amount to 15 percent of its deposits. No interest shall be allowed on any money for a longer time than the same is actually on deposit; except that deposits made not later than the tenth business day of the month commencing any semiannual or quarterly interest period; or the tenth business day of any other month; or withdrawn within the last three business days of the month ending a quarterly or semiannual interest period; may be treated as on deposit for the entire period or month in which it was so deposited or withdrawn. No dividend shall be declared, credited, or paid unless authorized by ye and nay vote of the board duly entered upon its minutes; and when any dividend in excess of that earned and on hand shall be declared or credited; the trustees voting therefor shall be jointly and severally liable to the bank for the excess. The board of every such bank whose surplus amounts to 15 percent of its deposits shall, at least once in three years, divide proportionately the excess among its depositors as an extra dividend; and for that purpose may classify them according to character, amount and duration of dealings; and so regulate the dividend that each of the same class shall receive the same ratable proportion. A deposit account with a savings bank is subject to a lien for the

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payment of charges that may accrue on the account under this chapter. A deposit account is subject to a debt offset for the debts of the deposit account holder to the savings bank. Deposit accounts may not be assessed for any debts or losses of the savings bank.

Subd. 2. **DIVIDENDS INTEREST.** Every such savings bank may also enter into agreements with depositors designed to promote systematic thrift by providing for regular deposits over agreed periods of time and in connection with any such plan to provide thrift incentive may classify depositors generally according to character, amount, regularity or duration of deposits or type of agreement; and may agree to pay and provide for different rates of interest, bonuses and benefits based on any such classification. All depositors of the same class shall be entitled to receive interest, bonuses and benefits of substantially the same value. When it shall appear to the commissioner from an examination, or otherwise, that the classification of depositors as to character, amount, regularity or duration of deposits or type of agreement and the different rates of interest, bonuses and benefits based on any such classification are not in the best interests of the bank and its depositors, the commissioner may by written order direct that changes be made and thereafter such changes shall be incorporated in any agreements entered into by the bank. The savings bank shall determine the rate and amount of interest, if any, to be paid on or credited to deposit accounts. The savings bank may establish reasonable classifications of accounts based on the types of accounts, the length of time accounts are continued in effect, the size of initial deposits into accounts, the minimum balances of accounts required for payment of interest, the frequency and extent of the activity on accounts, or location of the account, or on other classifications the savings bank considers appropriate.

Subd. 3. **DEPOSIT ACCOUNTS.** Deposit accounts must be represented only by the account of each deposit account holder on the books of the savings bank, and the accounts or any interest is transferable only on the books of the savings bank and upon proper written application by the transferee. The savings bank may treat the holder of record of a deposit account as the owner of it for all purposes without being affected by any notice to the contrary unless the savings bank has acknowledged in writing notice of a pledge of the deposit account. A savings bank may also offer negotiable time deposits.

Subd. 4. **DEPOSIT ACCOUNTS FOR MINORS.** A savings bank may issue deposit accounts to or in the name of a minor, which shall be held for the exclusive right and benefit of the minor, free from the control or lien of all other persons, except creditors, and, together with interest or dividends, shall be paid to the minor. The minor's receipt, draft, negotiable order of withdrawal, or acquittance in any form, is sufficient release and discharge of the savings bank for withdrawal, until a guardian appointed in this state for the minor has delivered a certificate of appointment to the savings bank.

Subd. 5. **SCHOOL OR INSTITUTION THRIFT SAVINGS PLAN.** A savings bank may contract with the proper authorities of any public or nonpublic

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elementary or secondary school or institution of higher learning, or any public or charitable institution caring for minors, for the participation and implementation by the savings bank in any school or institution thrift or savings plan, and it may accept savings accounts at the school or institution, either by its own collector or by any representative of the school or institution which becomes the agent of the association for this purpose.

Subd. 6. P.O.D. DEPOSITS. When a deposit is made in the names of two or more persons jointly, or by a person payable on death (P.O.D.) to another, or by a person in trust for another, the rights of the parties and the savings bank are determined by sections 524.6-201 to 524.6-214.

Subd. 7. DEPOSIT ACCOUNTS IN JOINT TENANCY. The pledge or hypothecation to a savings bank of all or part of a deposit account in joint tenancy signed by a tenant or tenants whether minor or adult, upon whose signature or signatures withdrawals may be made from the account must, unless the terms of the deposit account provide specifically to the contrary, be a valid pledge and transfer to the savings bank of that part of the account pledged or hypothecated, and must not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

Subd. 8. FIDUCIARY DEPOSITS. A savings bank may accept deposits in the name of any administrator, executor, custodian, conservator, guardian, trustee, or other fiduciary for a named beneficiary or beneficiaries. The fiduciary may open, make additions to, and withdraw the account in whole or in part. The withdrawal value of the account, and interest, or other rights relating to it may be paid or delivered, in whole or in part, to the fiduciary without regard to any notice to the contrary as long as the fiduciary is living. The payment or delivery to the fiduciary or a receipt or acquittance signed by the fiduciary to whom the payment or any delivery of rights is made is a valid and sufficient release and discharge of a savings bank for the payment or delivery so made. Whenever a person holding an account in a fiduciary capacity dies and no written notice of the revocation or termination of the fiduciary relationship has been given to a savings bank and the savings bank has no written notice of any other disposition of the beneficial estate, the withdrawal value of the account, and interest or dividends, or other rights relating to it may, at the option of a savings bank, be paid or delivered, in whole or in part, to the beneficiary or beneficiaries. The payment or delivery to the beneficiary, beneficiaries, or designated person, or a receipt or acquittance signed by the beneficiary, beneficiaries, or designated person, for the payment or delivery is a valid and sufficient release and discharge of a savings bank for the payment or delivery. This section does not apply to P.O.D. accounts under sections 524.6-201 to 524.6-214.

Subd. 9. PAYMENTS TO GUARDIAN. When a deposit account is held in a savings bank by a person who becomes incompetent and an adjudication of incompetency has been made by a court of competent jurisdiction, the savings bank may pay or deliver the withdrawal value of the deposit account and any earnings that may have accrued on it to the guardian for the person upon proof of appointment and qualification. If the savings bank has received no written

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notice and is not on actual notice that the deposit account holder has been adjudicated incompetent, it may pay or deliver the funds to the holder in accordance with the provisions of the deposit account contract, and the receipt or acquittance of the holder is a valid and sufficient release and discharge of the savings bank for the payment or delivery so made.

Subd. 10. INVESTMENT BY CERTAIN ENTITIES. Administrators, executors, custodians, conservators, guardians, trustees, and other fiduciaries of every kind and nature, insurance companies, business and manufacturing companies, banks, trust companies, credit unions, and other types of similar financial organizations, charitable, educational, eleemosynary, and public corporations authorized by law, funds, and organizations, are specifically authorized and empowered to invest funds held by them, without any order of any court, in deposit accounts of a savings bank, and the investments are considered legal investments for the funds.

Subd. 11. SERVICE CHARGES. A savings bank may contract with depositors for service charges in connection with the opening and maintaining of deposit accounts and for providing services ancillary to the opening and maintaining of deposit accounts. The service charges are a matter of contract between the savings bank and the depositor, and the contract will be fully enforceable in accordance with its stated terms.

Sec. 52. Minnesota Statutes 1994, section 50.175, subdivision 1, is amended to read:

Subdivision 1. **AUTHORIZATION.** Any savings bank organized and operating pursuant to this chapter, may establish negotiable order of withdrawal accounts on which it may or may not pay interest or dividends. Withdrawals from the accounts are subject to the right of the savings bank to require the depositor or account holder to give notice of an intended withdrawal not less than ~~30~~ 14 days before the withdrawal is made, even though in practice the notice is not regularly required and the depositor or account holder is allowed to make withdrawals by negotiable or transferable instruments for the purpose of making payments to third persons or otherwise.

Sec. 53. Minnesota Statutes 1994, section 50.19, is amended to read:

50.19 ANNUAL REPORT; ASSETS REPORTS TO THE COMMISSIONER.

On or before February first, each year, the trustees of any savings bank shall cause to be made a thorough examination of all its books, vouchers, and other papers and of its assets, liabilities, and affairs generally by an experienced and competent accountant, and make a written report upon the form prescribed by the commissioner of commerce, showing accurately its condition at the close of the preceding calendar year and specifying, as to that year, the amounts and particulars following:

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(1) The amount loaned upon notes secured by mortgages; with the names of the states or localities in which the mortgaged premises are located and the amounts paid on the principal of mortgage notes; and the amount of mortgages; if any; which have been foreclosed;

(2) The cost, par value, and estimated market value of all bond investments; stated separately; and the amount of principal on bonds received by payment, redemption, sale, or otherwise;

(3) The amount of all loans upon pledge of securities; with a statement of the nature and amount of these securities and the amount paid upon the principal of the loans;

(4) The amount of the notes and of the bonds upon which interest was in default at the close of the preceding calendar year;

(5) The amount invested in real estate; giving the description and the cost of each tract;

(6) The amount of cash on hand and on deposit in banks or trust companies; giving the name of each; and the amount of each depositor; and

(7) Such other information as the commissioner of commerce may require
Each savings bank shall submit the reports required of state banks pursuant to section 48.48 and such other information as the commissioner of commerce may require.

Sec. 54. Minnesota Statutes 1994, section 50.21, is amended to read:

50.21 VERIFICATION OF REPORT.

The report shall be verified by the oath of the two principal officers of the institution and the statement of assets shall be verified by the oath of at least two of the ~~trustees~~ directors and of the person who made the examination; and any willful false swearing in regard to these reports shall be deemed perjury and be punishable accordingly.

Sec. 55. [50.212] SAVINGS BANK REGULATION.

Subdivision 1. COMMERCE DEPARTMENT TO CONTROL. The commissioner of commerce shall have charge of the execution of all laws relating to the savings banks chartered under the laws of Minnesota and relating to the business of those savings banks.

Subd. 2. COMMISSIONER SUPERVISION. The commissioner shall supervise the books, records, and affairs of all savings banks doing business in the state as provided in section 46.04.

Subd. 3. OFFICIAL COMMUNICATIONS REFERRED TO DIRECTORS. Each official communication from the commissioner to a savings bank

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relating to any examination conducted by the commissioner or containing suggestions and recommendations as to the conduct of business of the savings bank, shall be submitted by the officer receiving it to the board of directors at the next meeting of the board and noted in the meeting minutes.

Sec. 56. Minnesota Statutes 1994, section 50.22, is amended to read:

50.22 PROCEEDINGS UPON VIOLATION.

When it shall appear, from an examination made by the commissioner of commerce or otherwise, that any such corporation has violated the law, or is conducting its business in an unsafe or unauthorized manner, the commissioner shall, by written order, direct such methods to be discontinued and that its business be conducted in conformity with law. If any such corporation refuses or neglects to comply with this order, or to make any report required by law or by the commissioner of commerce, or if it shall appear to the commissioner of commerce that it is unsafe or inexpedient for any such corporation to continue to transact business, the commissioner shall report the facts to the attorney general, who shall take such action thereon as the case requires. This action may be for the removal of one or more of the ~~trustees~~ directors of the corporation, the transfer of its corporate powers to other persons, its merger and consolidation with another like corporation willing to accept the trust, or such other appropriate action as the facts may require; and the court may grant any such relief in the interests of justice and, to protect the rights of the parties, may, from time to time, revoke or modify its orders made in the matter.

Sec. 57. Minnesota Statutes 1994, section 50.23, is amended to read:

50.23 CHANGE OF NAME.

When a resolution shall be adopted by the ~~trustees~~ directors of the bank expressing their purpose to change its name, they shall cause notice of this purpose, containing the present and proposed names, to be published in the manner provided for publication of notice of intention to organize. On completion of this publication, the ~~trustees~~ directors shall make application to the commissioner of commerce to change the name of the bank, as specified in the resolution and publication, accompanied by proof of the adoption of the resolution and publication of notice. If this change be approved by the commissioner of commerce, the commissioner shall authorize and direct the same by a signed order under seal, and designate a day, not more than 30 days from its date, when the change shall take effect. The commissioner shall execute the order in triplicate, one to be filed with the county recorder of the county where the bank is situated, one delivered to the bank, and the other filed in the commissioner's office. From the date named in this order, the bank shall be known and designated by its new name, and under this name shall have the same rights and powers and be subject to the same liabilities as before the change.

Sec. 58. Minnesota Statutes 1994, section 50.245, is amended to read:

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50.245 ~~DETACHED FACILITIES; MUTUAL SAVINGS BANKS; AUTHORIZATION BRANCHES; ACQUISITIONS.~~

Subdivision 1. **AUTHORITY FOR BRANCH OFFICES.** A ~~mutual~~ savings bank may establish five detached facilities pursuant to sections 47.51 to 47.57 in the territories of Hennepin and Anoka counties. The savings bank shall not change the location of a detached facility without prior written approval of the commissioner of commerce. A savings bank may establish a loan production office, without restriction as to geographical location, upon written notice to the commissioner of commerce.

Subd. 2. **AUTHORITY FOR BRANCH OFFICES IN RECIPROCATING STATE OTHER STATES.** The authorization contained in subdivision 1 is in addition to the authority granted ~~mutual~~ savings banks in section 47.52. A savings bank chartered in this state, whether or not the subsidiary of a savings bank holding company, may, by acquisition, merger, purchase, and assumption of some or all assets and liabilities, consolidation, or de novo formation, establish or operate detached facilities in another state on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks located in Minnesota, except that approval of the comptroller of the currency shall not be required for such detached facilities.

Subd. 3. **RECIPROCATING STATE ACQUISITIONS.** ~~This section shall not apply to any bank with a stock form of ownership. A savings bank chartered in this state and a savings bank holding company with its principal offices in this state may acquire control of a financial institution chartered in a reciprocating state or, subject to applicable federal law, any other state or a financial institution holding company with principal offices in a reciprocating state or, subject to applicable federal law, any other state. A savings bank chartered in a reciprocating state or, subject to applicable federal law, any other state and a savings bank holding company with principal offices in a reciprocating state or, subject to applicable federal law, any other state may acquire control of a savings bank chartered in this state or a savings bank holding company with principal offices in this state.~~

Subd. 4. **PROCEDURAL REQUIREMENTS.** Procedural requirements equivalent to those contained in sections 48.90 to 48.991 apply to reciprocal interstate branching and acquisitions by savings banks and savings bank holding companies.

Subd. 5. **DEFINITIONS.** For the purpose of this section, the terms defined in this subdivision have the meanings given them.

(a) "Financial institution" means a bank, savings bank, savings association, trust company, or credit union, whether chartered under the laws of this state, another state or territory, or under the laws of the United States.

(b) "Loan production office" means a place of business at which a savings bank provides lending if the loans are approved at the main office or detached

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facility of the savings bank, but at which a savings bank may not accept deposits except through a remote service unit.

(c) "Reciprocating state" means a state that authorizes the acquisition of control of financial institutions chartered in that state and financial institution holding companies with principal offices in that state by a savings bank chartered in this state or savings bank holding company with principal offices in this state under conditions substantially similar to those imposed by the laws of Minnesota, as determined by the commissioner of commerce.

(d) "Remote service unit" means an electronic financial terminal as defined in section 47.61.

Subd. 6. COMMISSIONER'S AUTHORITY. The authority of the commissioner of commerce to approve a transaction under this section is in addition to that provided for in section 49.48.

Sec. 59. Minnesota Statutes 1994, section 50.25, is amended to read:

50.25 BANKS ORGANIZED UNDER THE LAWS OF MINNESOTA; CAPITAL STOCK; AMENDMENT OF ARTICLES.

A corporation which was incorporated and organized under the laws of Minnesota for the purpose of doing a savings bank business, may have capital stock of \$100 per share, par value; provided, the minimum required capital shall not be less than \$500,000.; and may amend its articles or certificate of incorporation so as to provide for this capital stock conversion by adopting a resolution specifying the proposed amendment at a regular meeting or a special meeting called for that expressly stated purpose. The conversion must be approved by at least a two-thirds affirmative vote of its entire board of directors, trustees, or other managers. The resolution approving the conversion shall be embraced in a certificate duly executed by its president and secretary, or other presiding and recording officers, under its corporate seal, and approved, filed, recorded, and published in the manner now prescribed for the execution, approval, filing, recording, and publishing of a like original certificate.

The resolution specifying the proposed amendment of articles or certificate of incorporation shall set forth a plan of conversion from a mutual savings bank to a capital stock savings bank. The plan of conversion shall provide that all capital stock shall have voting powers, including the power to elect the board of directors, trustees, or other managers who shall have the power to sell, convey, mortgage, or otherwise dispose of any part of the corporation's real or personal property. The plan and issuance of capital stock shall be subject to the commissioner of commerce's approval provided the plan is fair and equitable to all parties concerned and is in the public interest. The capital funds of a proposed savings bank shall be in such greater amount which the commissioner considers necessary, having in mind the deposit potential for such a proposed bank and current industry standards of capital adequacy.

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Sec. 60. [50.28] DECLARATORY JUDGMENTS.

At any time after a controversy has arisen between the commissioner of commerce and a savings bank with respect to a question of law or rule or with respect to a question involving immeasurable or irreparable damage to the savings bank, and before an administrative or judicial hearing, the savings bank or the commissioner may apply to a court of competent jurisdiction in the county in which the home office of the savings bank is located for a declaratory judgment as to the question.

Sec. 61. Minnesota Statutes 1994, section 51A.02, subdivision 6, is amended to read:

Subd. 6. **ANNUAL PERCENTAGE RATE.** "Annual percentage rate" has the meaning given the term in the Code of Federal Regulations, title 12, part 226, but using the definition of "finance charge" used in this section.

Sec. 62. Minnesota Statutes 1994, section 51A.02, subdivision 26, is amended to read:

Subd. 26. **FINANCE CHARGE.** "Finance charge" has the meaning given the term in the Code of Federal Regulations, title 12, part 226, except that the following will not in any event be considered a finance charge:

(1) a charge as a result of default or delinquency under section 51A.385 if made for actual unanticipated late payment, delinquency, default, or other similar occurrence, unless the parties agree that these charges are finance charges;

(2) any additional charge under section 51A.385, subdivision 5; or

(3) a discount, if an association purchases a contract evidencing a ~~contract~~ credit sale or loan at less than the face amount of the obligation or purchases or satisfies obligations of a cardholder pursuant to a credit card and the purchase or satisfaction is made at less than the face amount of the obligation.

Sec. 63. Minnesota Statutes 1994, section 51A.02, subdivision 40, is amended to read:

Subd. 40. **OFFICIAL FEES.** "Official fees" means:

(1) fees and charges which actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, terminating, or satisfying a security interest or mortgage related to a loan or credit sale, and any separate fees or charges that actually are or will be paid to public officials for recording a notice described in section 580.032, subdivision 1; and

(2) premiums payable for insurance in lieu of perfecting a security interest or mortgage otherwise required by an association in connection with a loan or credit sale, if the premium does not exceed the fees and charges described in clause (1) which would otherwise be payable.

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Sec. 64. Minnesota Statutes 1994, section 51A.21, is amended by adding a subdivision to read:

Subd. 28. SERVICE CHARGES. To contract with depositors for service charges in connection with the opening and maintaining of deposit accounts and for providing services ancillary to the opening and maintaining of deposit accounts. Service charges are a matter of contract between the association and the depositor, and any such contract is fully enforceable according to its stated terms.

Sec. 65. Minnesota Statutes 1994, section 61A.09, subdivision 3, is amended to read:

Subd. 3. Group life insurance policies may be issued to cover groups of not less than ten debtors of a creditor written under a master policy issued to a creditor to insure its debtors in connection with real estate mortgage loans, in an amount not to exceed the actual amount of their indebtedness plus an amount equal to two monthly payments or scheduled amount of their indebtedness, plus an amount equal to two monthly payments, whichever is greater. If the mortgage loan provides for a variable rate of finance charge or interest, the initial rate or the scheduled rates based on the initial index must be used in determining the scheduled amount of indebtedness. Each application for group mortgage insurance offered prior to or at the time of loan closing shall contain a clear and conspicuous notice that the insurance is optional and is not a condition for obtaining the loan. Each person insured under a group insurance policy issued under this subdivision shall be furnished a certificate of insurance which conforms to the requirements of section 62B.06, subdivision 2, and which includes a conversion privilege permitting an insured debtor to convert, without evidence of insurability, to an individual policy of decreasing term insurance within 30 days of the date the insured debtor's group coverage is terminated for any reason other than the nonpayment of premiums. The initial amount of coverage under the individual policy shall be an amount equal to the amount of coverage terminated under the group policy and shall decrease over a term that corresponds with the scheduled term of the insured debtor's mortgage loan. The premium for the individual policy shall be the same premium the insured debtor was paying under the group policy.

Sec. 66. Minnesota Statutes 1994, section 62B.04, subdivision 1, is amended to read:

Subdivision 1. **CREDIT LIFE INSURANCE.** (1) The initial amount of credit life insurance shall not exceed the amount of principal repayable under the contract of indebtedness. Thereafter, if the indebtedness is repayable in substantially equal installments according to a predetermined schedule, the amount of insurance shall not exceed the scheduled or actual amount of indebtedness, whichever is greater. If the contract of indebtedness provides for a variable rate of finance charge or interest, the initial rate or the scheduled rates based on the initial index must be used in determining the scheduled amount of indebtedness

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and subsequent changes to the rate must be disregarded in determining whether the contract is repayable in substantially equal installments according to a predetermined schedule.

(2) Notwithstanding clause (1), the amount of credit life insurance written in connection with credit transactions repayable over a specified term exceeding 63 months shall not exceed the greater of: (i) the actual amount of unpaid indebtedness as it exists from time to time; or (ii) where an indebtedness is repayable in substantially equal installments according to a predetermined schedule, the scheduled amount of unpaid indebtedness, less any unearned interest or finance charges, plus an amount equal to two monthly payments. If the credit transaction provides for a variable rate of finance charge or interest, the initial rate or the scheduled rates based on the initial index must be used in determining the scheduled amount of unpaid indebtedness and subsequent changes in the rate must be disregarded in determining whether the contract is repayable in substantially equal installments according to a predetermined schedule.

(3) Notwithstanding clauses (1) and (2), insurance on educational, agricultural, and horticultural credit transaction commitments may be written on a nondecreasing or level term plan for the amount of the loan commitment.

Sec. 67. Minnesota Statutes 1994, section 62B.04, subdivision 2, is amended to read:

Subd. 2. **CREDIT ACCIDENT AND HEALTH INSURANCE.** The total amount of periodic indemnity payable by credit accident and health insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness; and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments. If the credit transaction provides for a variable rate of finance charge or interest, the initial rate or the scheduled rates based on the initial index must be used in determining the aggregate of the periodic scheduled unpaid installments of the indebtedness.

Sec. 68. Minnesota Statutes 1994, section 300.20, is amended to read:

300.20 BOARD OF DIRECTORS.

Subdivision 1. **ELECTION.** The business of savings banks must be managed by a board of at least seven ~~trustees,~~ directors, all residents of this state, each of whom, before being authorized to act, must file a written acceptance of the ~~trust~~ position. The business of other corporations must be managed by a board of at least three directors, unless a greater number is otherwise required by law, elected by ballot by the stockholders or members. A board of directors of a financial institution referred to in section 47.12 which has less than five members may be increased to not more than five members by order of the commissioner of commerce.

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Subd. 2. **VACANCIES.** If the certificate of incorporation or the bylaws so provides, a vacancy in the board of directors may be filled by the remaining directors. Not more than one-third of the members of the board may be so filled in any one year except any number may be appointed to provide for at least three directors until any subsequent meeting of the stockholders.

Subd. 3. **QUORUM TO DO BUSINESS.** A majority of the directors or trustees constitutes a quorum for the transaction of business.

Subd. 4. **ACTION WITHOUT MEETING.** Any action which might be taken at a meeting of the board of directors, trustees, or managers may be taken without a meeting if done in writing signed by all of the directors, trustees, or managers.

Sec. 69. RELATIONSHIP TO OTHER LEGISLATION; REVISOR INSTRUCTION.

(a) This act is interrelated with 1995 House File 1184 and its companion bill 1995 Senate File 1134, which may or may not be enacted at the time of enactment of this act and which may or may not be subsequently enacted in the 1995 legislative session.

(b) References in this act to "section 47.59" or "section 47.60" are to the sections of House File 1184 and Senate File 1134 that contain those proposed statutory codings. If that section 47.59 is not enacted in the 1995 legislative session, references in this act to that section shall be interpreted as referring to Minnesota Statutes 1994, section 51A.385, which is the current statutory section most similar to, and which is the principal source of, the proposed new section 47.59. If the section 47.60 referred to earlier in this paragraph is not enacted in the 1995 legislative session, references in this act to that section are null and void and of no effect.

(c) References in this act to "section 51A.385" are intended to refer to that section of Minnesota Statutes 1994, as amended by any other acts enacted in the 1995 legislative session. The related legislation referenced in paragraph (a) would repeal section 51A.385. If that related legislation is enacted and it repeals section 51A.385, the intent of the references in this act to that section is as stated in this paragraph.

(d) The revisor of statutes shall, in preparing the 1995 Supplement to Minnesota Statutes, change the cross references made in this act to the extent necessary to achieve the intentions stated in this section.

Sec. 70. REPEALER.

Minnesota Statutes 1994, sections 47.095; 47.30, subdivisions 4 and 6; 48.67; 50.02; 50.07; 50.08; 50.09; 50.10; 50.12; 50.15; 50.16; 50.21; and 50.22, are repealed.

Presented to the governor May 15, 1995

Signed by the governor May 17, 1995, 1:58 p.m.

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