

Section 38 is effective the day after the governing body of the city of Winona complies with Minnesota Statutes, section 645.021, subdivision 3.

Section 39 is effective upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Section 43, paragraph (b), is effective for sales of 900 information services made after June 30, 1995.

Sec. 32. REPEALER.

Minnesota Statutes 1998, section 168.1292, is repealed.

Sec. 33. EFFECTIVE DATE.

Sections 22 to 24 are effective the day following final enactment, for offenses committed after final enactment. Sections 16, 17, 27, and 31 are effective the day following final enactment.

Presented to the governor April 17, 2000

Signed by the governor April 20, 2000, 10:21 a.m.

CHAPTER 427—S.F.No. 2870

An act relating to financial institutions; regulating certain loan charges and payments; establishing a foundation loan portfolio pilot project; regulating detached banking facilities; making various technical changes; appropriating money; amending Minnesota Statutes 1998, sections 47.59, subdivisions 1, 7, 10, and by adding a subdivision; 47.60, subdivision 2; 48.56; 52.04, subdivision 1; 56.131, subdivision 4; 58.02, subdivision 10; 58.04, subdivisions 2 and 3; 58.05, by adding a subdivision; 58.08, as amended; 58.10, subdivision 1; and 168.72, by adding a subdivision; Minnesota Statutes 1999 Supplement, sections 47.52; and 58.04, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 58; repealing Minnesota Statutes 1998, sections 58.02, subdivision 15; and 58.05, subdivision 2; Minnesota Rules, parts 2675.4180; and 2675.6141, subpart 1.

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

Section 1. Minnesota Statutes 1999 Supplement, section 47.52, is amended to read:

47.52 AUTHORIZATION.

(a) With the prior approval of the commissioner, any bank doing business in this state may establish and maintain detached facilities provided the facilities are located within: (1) the municipality in which the principal office of the applicant bank is located; or (2) 5,000 feet of its principal office measured in a straight line from the closest points of the closest structures involved; or (3) a municipality in which no bank is located at the time of application; or (4) a municipality having a population of more than 10,000; or (5) a municipality having a population of 10,000 or less, as determined

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by the commissioner from the latest available data from the state demographer, or for municipalities located in the seven-county metropolitan area from the metropolitan council, and all the banks having a principal office in the municipality have consented in writing to the establishment of the facility.

(b) A detached facility shall not be closer than 50 feet to a detached facility operated by any other bank and shall not be closer than 100 feet to the principal office of any other bank, the measurement to be made in the same manner as provided above. This paragraph shall not be applicable if the proximity to the facility or the bank is waived in writing by the other bank and filed with the application to establish a detached facility.

(c) A bank is allowed, in addition to other facilities, part-time deposit-taking locations at elementary and secondary schools located within the municipality in which the main banking house or a detached facility is located if they are established in connection with student education programs approved by the school administration and consistent with safe, sound banking practices.

(d) In addition to other facilities, a bank may operate part-time locations at nursing homes and senior citizen housing facilities located within the municipality in which the main banking house or a detached facility is located, or within the seven-county metropolitan area if the bank's main banking facility or a detached facility is located within the seven-county metropolitan area, if they are operated in a manner consistent with safe, sound banking practices.

Sec. 2. Minnesota Statutes 1998, section 47.59, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section, the following definitions shall apply.

(a) "Actuarial method" has the meaning given the term in the Code of Federal Regulations, title 12, part 226, and appendix J thereto.

(b) "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.

(c) "Borrower" means a debtor under a loan or a purchaser or debtor under a credit sale contract.

(d) "Business purpose" means a purpose other than a personal, family, household, or agricultural purpose.

(e) "Cardholder" means a person to whom a credit card is issued or who has agreed with the financial institution to pay obligations arising from the issuance to or use of the card by another person.

(f) "Consumer loan" means a loan made by a financial institution in which:

(1) the debtor is a person other than an organization;

(2) the debt is incurred primarily for a personal, family, or household purpose; and

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(3) the debt is payable in installments or a finance charge is made.

(g) "Credit" means the right granted by a financial institution to a borrower to defer payment of a debt, to incur debt and defer its payment, or to purchase property or services and defer payment.

(h) "Credit card" means a card or device issued under an arrangement pursuant to which a financial institution gives to a cardholder the privilege of obtaining credit from the financial institution or other person in purchasing or leasing property or services, obtaining loans, or otherwise. A transaction is "pursuant to a credit card" only if credit is obtained according to the terms of the arrangement by transmitting information contained on the card or device orally, in writing, by mechanical or electronic methods, or in any other manner. A transaction is not "pursuant to a credit card" if the card or device is used solely in that transaction to:

(1) identify the cardholder or evidence the cardholder's creditworthiness and credit is not obtained according to the terms of the arrangement;

(2) obtain a guarantee of payment from the cardholder's deposit account, whether or not the payment results in a credit extension to the cardholder by the financial institution; or

(3) effect an immediate transfer of funds from the cardholder's deposit account by electronic or other means, whether or not the transfer results in a credit extension to the cardholder by the financial institution.

(i) "Credit sale contract" means a contract evidencing a credit sale. "Credit sale" means a sale of goods or services, or an interest in land, in which:

(1) credit is granted by a seller who regularly engages as a seller in credit transactions of the same kind; and

(2) the debt is payable in installments or a finance charge is made.

(j) "Finance charge" has the meaning given 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 subdivision 6 if made for actual unanticipated late payment, delinquency, default, or other similar occurrence, and a charge made for an extension or deferment under subdivision 5, unless the parties agree that these charges are finance charges;

(2) an additional charge under subdivision 6;

(3) a discount, if a financial institution purchases a 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;

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(4) fees paid by a borrower to a broker, provided the financial institution or a person described in subdivision 4 does not require use of the broker to obtain credit; or

(5) a commission, expense reimbursement, or other sum received by a financial institution or a person described in subdivision 4 in connection with insurance described in subdivision 6.

(k) "Financial institution" means a state or federally chartered bank, a state or federally chartered bank and trust, a trust company with banking powers, a state or federally chartered saving bank, a state or federally chartered savings association, an industrial loan and thrift company, ~~or a regulated lender,~~ or an operating subsidiary of any such institution.

(l) "Loan" means:

(1) the creation of debt by the financial institution's payment of money to the borrower or a third person for the account of the borrower;

(2) the creation of debt pursuant to a credit card in any manner, including a cash advance or the financial institution's honoring a draft or similar order for the payment of money drawn or accepted by the borrower, paying or agreeing to pay the borrower's obligation, or purchasing or otherwise acquiring the borrower's obligation from the obligee or the borrower's assignee;

(3) the creation of debt by a cash advance to a borrower pursuant to an overdraft line of credit arrangement;

(4) the creation of debt by a credit to an account with the financial institution upon which the borrower is entitled to draw immediately;

(5) the forbearance of debt arising from a loan; and

(6) the creation of debt pursuant to open-end credit.

"Loan" does not include the forbearance of debt arising from a sale or lease, a credit sale contract, or an overdraft from a person's deposit account with a financial institution which is not pursuant to a written agreement to pay overdrafts with the right to defer repayment thereof.

(m) "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 relating to a loan or credit sale, and any separate fees or charges which 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 a financial institution 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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(n) "Organization" means a corporation, government, government subdivision or agency, trust, estate, partnership, joint venture, cooperative, limited liability company, limited liability partnership, or association.

(o) "Person" means a natural person or an organization.

(p) "Principal" means the total of:

(1) the amount paid to, received by, or paid or repayable for the account of, the borrower; and

(2) to the extent that payment is deferred:

(i) the amount actually paid or to be paid by the financial institution for additional charges permitted under this section; and

(ii) prepaid finance charges.

Sec. 3. Minnesota Statutes 1998, section 47.59, subdivision 7, is amended to read:

Subd. 7. ADVANCES TO PERFORM COVENANTS OF BORROWER OR PURCHASER. (a) If the agreement with respect to a loan or credit sale contract contains covenants by the borrower or purchaser to perform certain duties pertaining to insuring or preserving collateral and the financial institution according to the agreement pays for performance of the duties on behalf of the borrower or purchaser, the financial institution may add to the debt or contract balance the amounts so advanced. Before or within a reasonable time not less more than 30 days after advancing any sums, the financial institution shall state to the borrower or purchaser in writing the amount of sums advanced or to be advanced, any charges with respect to this amount, and any revised payment schedule and, if the duties of the borrower or purchaser performed by the financial institution pertain to insurance, a brief description of the insurance paid for or to be paid for by the financial institution including the type and amount of coverages. Additional information need not be given. The actions of the financial institution pursuant to this subdivision shall not be deemed to cure the borrower's failure to perform covenants in the loan or credit sale contract, unless the loan or credit sale contract expressly provides otherwise.

(b) A finance charge equal to that specified in the loan agreement or credit sale contract may be made for sums advanced under paragraph (a).

Sec. 4. Minnesota Statutes 1998, section 47.59, is amended by adding a subdivision to read:

Subd. 9a. PROMPT CREDITING OF PAYMENTS. (a) A financial institution shall credit a payment to the consumer's account as of the date of receipt except when a delay in crediting does not result in a finance or other charge or except as provided in paragraph (b).

(b) If a financial institution, in the loan agreement or, in the case of open-end credit, on or with a periodic statement or similar document, specifies requirements for the consumer to follow in making payments, but accepts a payment that does not

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conform to the requirements, the creditor shall credit the payment within five days of receipt.

(c) If a financial institution fails to credit a payment, as required by paragraph (a) or (b) in time to avoid the imposition of finance or other charges, the financial institution shall adjust the consumer's account so that the charges imposed are credited to the consumer's account promptly or, in the case of open-end credit, no later than during the next billing cycle.

Sec. 5. Minnesota Statutes 1998, section 47.59, subdivision 10, is amended to read:

Subd. 10. **CREDIT INSURANCE.** (a) The sale of credit insurance or mortgage insurance is subject to chapters 61A, 62A, and 62B, as applicable, and the rules adopted under those chapters, if any. In case there are multiple consumers obligated under a transaction subject to this chapter, no policy or certificate of insurance providing credit life insurance may be procured by or through a financial institution or person described in subdivision 2 upon more than two of the consumers, in which case they may be insured jointly.

(b) A financial institution that provides credit insurance in relation to open-end credit may calculate the charge to the borrower in each billing cycle by applying the current premium rate to the balance in the manner permitted with respect to finance charges by the provisions on finance charge in this section.

(c) Upon prepayment in full of a consumer loan or credit sale contract by the proceeds of credit insurance or mortgage insurance, the consumer or the consumer's estate is entitled to a refund of any portion of a separate charge for insurance that by reason of prepayment is retained by the financial institution or returned to it by the insurer, unless the charge was computed from time to time on the basis of the balances of the consumer's loan or credit sale contract.

(d) This section does not require a financial institution to grant a refund to the consumer if all refunds due to the consumer under paragraph (c) amount to less than \$5 and, except as provided in paragraph (c), does not require the financial institution to account to the consumer for any portion of a separate charge for insurance because:

- (1) the insurance is terminated by performance of the insurer's obligation;
- (2) the financial institution pays or accounts for premiums to the insurer in amounts and at times determined by the agreement between them; or
- (3) the financial institution receives directly or indirectly under a policy of insurance a gain or advantage not prohibited by law.

(e) Except as provided in paragraph (d), the financial institution shall promptly make or cause to be made an appropriate refund to the consumer with respect to a separate charge made to the consumer for insurance if:

- (1) the insurance is not provided or is provided for a shorter term than for which the charge to the borrower for insurance was computed; or

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(2) the insurance terminates before the end of the term for which it was written because of prepayment in full or otherwise.

(f) If a financial institution requires insurance, upon notice to the borrower, the borrower has the option of providing the required insurance through an existing policy of insurance owned or controlled by the borrower, or through a policy to be obtained and paid for by the borrower, but the financial institution for reasonable cause may decline the insurance provided by the borrower.

Sec. 6. Minnesota Statutes 1998, section 47.60, subdivision 2, is amended to read:

Subd. 2. AUTHORIZATION, TERMS, CONDITIONS, AND PROHIBITIONS. (a) In lieu of the interest, finance charges, or fees in any other law, a consumer small loan lender may charge the following:

(1) on any amount up to and including \$50, a charge of \$5.50 may be added;

(2) on amounts in excess of \$50, but not more than \$100, a charge may be added equal to ten percent of the loan proceeds plus a \$5 administrative fee;

(3) on amounts in excess of \$100, but not more than \$250, a charge may be added equal to seven percent of the loan proceeds with a minimum of \$10 plus a \$5 administrative fee;

(4) for amounts in excess of \$250 and not greater than the maximum in subdivision 1, paragraph (a), a charge may be added equal to six percent of the loan proceeds with a minimum of \$17.50 plus a \$5 administrative fee.

(b) The term of a loan made under this section shall be for no more than 30 calendar days.

(c) After maturity, the contract rate must not exceed 2.75 percent per month of the remaining loan proceeds after the maturity date calculated at a rate of 1/30 of the monthly rate in the contract for each calendar day the balance is outstanding.

(d) No insurance charges or other charges must be permitted to be charged, collected, or imposed on a consumer small loan except as authorized in this section.

(e) On a loan transaction in which cash is advanced in exchange for a personal check, a return check charge may be charged as authorized by section 332.50, subdivision 2, paragraph ~~(d)~~ (a).

(f) A loan made under this section must not be repaid by the proceeds of another loan made under this section by the same lender or related interest. The proceeds from a loan made under this section must not be applied to another loan from the same lender or related interest. No loan to a single borrower made pursuant to this section shall be split or divided and no single borrower shall have outstanding more than one loan with the result of collecting a higher charge than permitted by this section or in an aggregate amount of principal exceed at any one time the maximum of \$350.

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Sec. 7. Minnesota Statutes 1998, section 48.56, is amended to read:

48.56 BANKING INSTITUTIONS MAY USE FEDERAL BANKING ACT LAWS.

Any banking institution now or hereafter organized under the laws of this state is hereby empowered, on the authority of its board of directors, or a majority thereof, to enter into such contracts, incur such obligations and generally to do and perform any and all such acts and things as may be necessary or appropriate in order to take advantage of any and all memberships, loans, subscriptions, contracts, grants, rights, or privileges which may at any time be available or enure to banking institutions or to their depositors, creditors, stockholders, receivers, or liquidators, by virtue of those provisions of Section 8 of the federal "Banking Acts of 1933" (Section 12B of the Federal Reserve Act, as amended (Mason's United States Code Annotated, title 12, s 264)), which establish the Federal Deposit Insurance Corporation and provide for the insurance of deposits, or of any other provisions of that or of any other act or resolution of Congress to aid, regulate, or safeguard banking institutions and their depositors, including any amendments of the same or any substitutions therefor; and to subscribe for and acquire any stock, debentures, bonds, or other types of securities of the Federal Deposit Insurance Corporation, and to comply with the lawful regulations and requirements from time to time issued or made by such corporation. Subdivision 1. GENERAL POWERS. The board of directors of a banking institution may enter into a contract, incur an obligation, or generally do what is necessary or appropriate to make use of United States Code, title 12, section 1811, or any act or resolution of Congress enacted or resolved to aid, regulate, or safeguard banking institutions and their depositors.

Subd. 2. GENERAL RIGHTS AND PRIVILEGES. Memberships, loans, subscriptions, contracts, grants, rights, or privileges that, under the act or resolution, are available to or enure to banking institutions, or their depositors, creditors, stockholders, receivers, or liquidators may be taken advantage of under this section.

Subd. 3. PURCHASE OF FDIC SECURITIES. The board may subscribe for and acquire securities of the Federal Deposit Insurance Corporation.

Subd. 4. COMPLYING WITH FDIC REQUIREMENTS. The board may comply with the corporation's requirements.

Sec. 8. Minnesota Statutes 1998, section 52.04, subdivision 1, is amended to read:

Subdivision 1. A credit union has the following powers:

(1) to offer its members and other credit unions various classes of shares, share certificates, deposits, or deposit certificates;

(2) to receive the savings of its members either as payment on shares or as deposits, including the right to conduct Christmas clubs, vacation clubs, and other thrift organizations within its membership. Trust funds received by a real estate broker or the broker's salespersons in trust may be deposited in a credit union;

(3) to make loans to members for provident or productive purposes as provided in section 52.16;

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(4) to make loans to a cooperative society or other organization having membership in the credit union;

(5) to deposit in state and national banks and trust companies authorized to receive deposits;

(6) to invest in any investment legal for savings banks or for trust funds in the state and, notwithstanding clause (3), to invest in and make loans of unsecured days funds (federal funds or similar unsecured loans) to financial institutions insured by an agency of the federal government and a member of the Federal Reserve System or required to maintain reserves at the Federal Reserve;

(7) to borrow money as hereinafter indicated;

(8) to adopt and use a common seal and alter the same at pleasure;

(9) to make payments on shares of and deposit with any other credit union chartered by this or any other state or operating under the provisions of the Federal Credit Union Act, in amounts not exceeding in the aggregate 25 percent of its unimpaired assets. However, payments on shares of and deposit with credit unions chartered by other states are restricted to credit unions insured by the National Credit Union Administration. The restrictions imposed by this clause do not apply to share accounts and deposit accounts of the Minnesota corporate credit union in United States central credit union or to share accounts and deposit accounts of credit unions in the Minnesota corporate credit union;

(10) to contract with any licensed insurance company or society to insure the lives of members to the extent of their share accounts, in whole or in part, and to pay all or a portion of the premium therefor;

(11) to indemnify each director, officer, or committee member, or former director, officer, or committee member against all expenses, including attorney's fees but excluding amounts paid pursuant to a judgment or settlement agreement, reasonably incurred in connection with or arising out of any action, suit, or proceeding to which that person is a party by reason of being or having been a director, officer, or committee member of the credit union, except with respect to matters as to which that person is finally adjudged in the action, suit, or proceeding to be liable for negligence or misconduct in the performance of duties. The indemnification is not exclusive of any other rights to which that person may be entitled under any bylaw, agreement, vote of members, or otherwise;

(12) upon written authorization from a member, retained at the credit union, to make payments to third parties by withdrawals from the member's share or deposit accounts or through proceeds of loans made to such member, or by permitting the credit union to make those payments from the member's funds prior to deposit; to permit draft withdrawals from member accounts, but a credit union proposing to permit draft withdrawals shall notify the commissioner of commerce, in the form prescribed, of its intent not less than 90 days prior to authorizing draft withdrawals. The board of directors of a credit union may restrict one class of shares to the extent that it may not

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be redeemed, withdrawn, or transferred except upon termination of membership in the credit union;

(13) to inform its members as to the availability of various group purchasing plans which are related to the promotion of thrift or the borrowing of money for provident and productive purposes by means of informational materials placed in the credit union's office, through its publications, or by direct mailings to members by the credit union;

(14) to facilitate its members' voluntary purchase of types of insurance incidental to promotion of thrift or the borrowing of money for provident and productive purposes including, but not limited to the following types of group or individual insurance: Fire, theft, automobile, life and temporary disability; to be the policy holder of a group insurance plan or a subgroup under a master policy plan and to disseminate information to its members concerning the insurance provided thereunder; to remit premiums to an insurer or the holder of a master policy on behalf of a credit union member, if the credit union obtains written authorization from the member for remittance by share or deposit withdrawals or through proceeds of loans made by the members, or by permitting the credit union to make the payments from the member's funds prior to deposit; and to accept from the insurer reimbursement for expenses incurred or in the case of credit life, accident and health, and involuntary unemployment insurance within the meaning of chapter 62B commissions for the handling of the insurance. The amount reimbursed or the commissions received may constitute the general income of the credit union. The directors, officers, committee members and employees of a credit union shall not profit on any insurance sale facilitated through the credit unions;

(15) to contract with another credit union to furnish services which either could otherwise perform. Contracted services under this clause are subject to regulation and examination by the commissioner of commerce like other services;

(16) in furtherance of the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes, and not in limitation of the specific powers hereinbefore conferred, to have all the powers enumerated, authorized, and permitted by this chapter, and such other rights, privileges and powers incidental to, or necessary for, the accomplishment of the objectives and purposes of the credit union;

(17) to rent safe deposit boxes to its members if the credit union obtains adequate insurance or bonding coverage for losses which might result from the rental of safe deposit boxes;

(18) notwithstanding the provisions of section 52.05, to accept deposits of public funds in an amount secured by insurance or other means pursuant to chapter 118 or section 9.031 or other applicable law and to receive deposits of trust funds provided that either the provider or the beneficial owner of the funds is a member of the credit union accepting the deposit;

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(19) to accept and maintain treasury tax and loan accounts of the United States and to pledge collateral to secure the treasury tax or loan accounts, in accordance with the regulations of the Department of Treasury of the United States;

(20) to accept deposits pursuant to section 149A.97, subdivision 5, notwithstanding the provisions of section 52.05, if the deposits represent funding of prepaid funeral plans of members;

(21) to sell, in whole or in part, real estate secured loans provided that:

(a) the loan is secured by a first lien;

(b) the board of directors approves the sale;

(c) if the sale is partial, the agreement to sell a partial interest shall, at a minimum:

(i) identify the loan or loans covered by the agreement;

(ii) provide for the collection, processing, remittance of payments of principal and interest, taxes and insurance premiums and other charges or escrows, if any;

(iii) define the responsibilities of each party in the event the loan becomes subject to collection, loss or foreclosure;

(iv) provide that in the event of loss, each owner shall share in the loss in proportion to its interest in the loan or loans;

(v) provide for the distribution of payments of principal to each owner proportionate to its interest in the loan or loans;

(vi) provide for loan status reports;

(vii) state the terms and conditions under which the agreement may be terminated or modified; and

(d) the sale is without recourse or repurchase unless the agreement:

(i) requires repurchase of a loan because of any breach of warranty or misrepresentation;

(ii) allows the seller to repurchase at its discretion; or

(iii) allows substitution of one loan for another;

(22) in addition to the sale of loans secured by a first lien on real estate, to sell, pledge, discount, or otherwise dispose of, in whole or in part, to any source, a loan or group of loans, other than a self-replenishing line of credit; provided, that within a calendar year beginning January 1 the total dollar value of loans sold, other than loans secured by real estate or insured by a state or federal agency, shall not exceed 25 percent of the dollar amount of all loans and participating interests in loans held by the credit union at the beginning of the calendar year, unless otherwise authorized in writing by the commissioner;

(23) to designate the par value of the shares of the credit union by board resolution;

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(24) to exercise by resolution the powers set forth in United States Code, title 12, section 1757, as amended through December 31, 1992. Before exercising each power, the board must submit a plan to the commissioner of commerce detailing implementation of the power to be used;

(25) to offer self-directed individual retirement accounts and Keogh accounts and act as custodian and trustee of these accounts if:

(1) all contributions of funds are initially made to a deposit, share or share certificate account in the credit union;

(2) any subsequent transfer of funds to other assets is solely at the direction of the member and the credit union exercises no investment discretion and provides no investment advice with respect to plan assets; and

(3) the member is clearly notified of the fact that National Credit Union Share Insurance Fund coverage is limited to funds held in deposit, share or share certificate accounts of National Credit Union Share Insurance Fund-insured credit unions.

Sec. 9. Minnesota Statutes 1998, section 56.131, subdivision 4, is amended to read:

Subd. 4. **ADJUSTMENT OF DOLLAR AMOUNTS.** The dollar amounts in subdivisions 2 and 6, sections 53.04, subdivision 3a, paragraph (e), 56.01, 56.12, and 56.125 shall change periodically, as provided in section 47.59, subdivision 3.

Sec. 10. Minnesota Statutes 1998, section 58.02, subdivision 10, is amended to read:

Subd. 10. **FINANCIAL INSTITUTION.** "Financial institution" means a bank, bank and trust, trust company with banking powers, savings bank, savings association, or credit union, organized under the laws of this state, any other state, or the United States; a Minnesota host state branch of an ~~out-of-state state-chartered bank~~ as provided for in section 49.411; an industrial loan and thrift under chapter 53; or a regulated lender under chapter 56. The term "financial institution" also includes a subsidiary or operating subsidiary of a financial institution or of a bank holding company as defined in the federal Bank Holding Company Act, United States Code, title 12, section 1841 et seq., if the subsidiary or operating subsidiary can demonstrate to the satisfaction of the commissioner that it is regulated and subject to active and ongoing oversight and supervision by a federal banking agency, as defined in the Federal Deposit Insurance Act, United States Code, title 12, section 1811 et seq., or the commissioner.

Sec. 11. Minnesota Statutes 1999 Supplement, section 58.04, subdivision 1, is amended to read:

Subdivision 1. **RESIDENTIAL MORTGAGE ORIGINATOR LICENSING REQUIREMENTS.** (a) Beginning August 1, 1999, no person shall act as a residential mortgage originator, or make residential mortgage loans without first obtaining a license from the commissioner according to the licensing procedures provided in this chapter.

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(b) The following persons are exempt from the residential mortgage originator licensing requirements:

(1) an employee of one mortgage originator licensee or one person holding a certificate of exemption;

(2) a person engaged solely in commercial mortgage activities;

~~(3) a person licensed as a real estate broker under chapter 82, and who is not licensed to another real estate broker;~~

(3) an individual real estate licensee who is licensed to the a real estate broker as described in clause (2) if:

(i) the individual licensee acts only under the name, authority, and supervision of the broker to whom the licensee is licensed;

(ii) the broker to whom the licensee is licensed obtains a certificate of exemption according to section 58.05, subdivision 2;

(iii) the broker does not collect an advance fee for its residential mortgage-related activities; and

(iv) the residential mortgage origination activities are incidental to the real estate licensee's primary activities as a real estate broker or salesperson;

(4) an individual licensed as a property/casualty or life/health insurance agent under chapter 60K if:

(i) the insurance agent acts on behalf of only one residential mortgage originator, which is in compliance with chapter 58;

(ii) the insurance agent has entered into a written contract with the mortgage originator under the terms of which the mortgage originator agrees to accept responsibility for the insurance agent's residential mortgage-related activities;

(iii) the insurance agent obtains a certificate of exemption under section 58.05, subdivision 2; and

(iv) the insurance agent does not collect an advance fee for the insurance agent's residential mortgage-related activities;

(5) a person ~~making~~ who is not in the business of making residential mortgage loans and who makes no more than five residential mortgage three such loans, with its own funds, during any 12-month period;

(6) a financial institution as defined in section 58.02, subdivision 10;

(7) an agency of the federal government, or of a state or municipal government;

(8) an employee or employer pension plan making loans only to its participants;

(9) a person acting in a fiduciary capacity, such as a trustee or receiver, as a result of a specific order issued by a court of competent jurisdiction; or

(10) a person exempted by order of the commissioner.

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Sec. 12. Minnesota Statutes 1998, section 58.04, subdivision 2, is amended to read:

Subd. 2. **RESIDENTIAL MORTGAGE SERVICER LICENSING REQUIREMENTS.** (a) Beginning August 1, 1999, no person shall engage in activities or practices that fall within the definition of "servicing a residential mortgage loan" under section 58.02, subdivision 22, without first obtaining a license from the commissioner according to the licensing procedures provided in this chapter.

(b) The following persons are exempt from the residential mortgage servicer licensing requirements:

- (1) a person licensed as a residential mortgage originator;
- (2) an employee of one licensee or one person holding a certificate of exemption based on an exemption under this subdivision;
- (3) a person engaged solely in commercial mortgage activities;
- (4) a person servicing loans made with its own funds, if no more than five three such loans are made in any 12-month period;
- (~~5~~) (4) a financial institution as defined in section 58.02, subdivision 10;
- (~~6~~) (5) an agency of the federal government, or of a state or municipal government;
- (~~7~~) (6) an employee or employer pension plan making loans only to its participants;
- (~~8~~) (7) a person acting in a fiduciary capacity, such as a trustee or receiver, as a result of a specific order issued by a court of competent jurisdiction; or
- (~~9~~) (8) a person exempted by order of the commissioner.

Sec. 13. Minnesota Statutes 1998, section 58.04, subdivision 3, is amended to read:

Subd. 3. **CONDUCTING BUSINESS UNDER LICENSE.** No person required to be licensed under this chapter may, without a license, do business under a name or title or circulate or use advertising or make representations or give information to a person, that indicates or reasonably implies activity within the scope of this chapter.

No person licensed under this chapter may do business under more than one name or title.

Sec. 14. Minnesota Statutes 1998, section 58.05, is amended by adding a subdivision to read:

Subd. 3. **CERTIFICATE OF EXEMPTION.** A person must obtain a certificate of exemption from the commissioner to qualify as an exempt person under section 58.04, subdivision 1, paragraph (b), as a real estate broker under clause (2), an insurance agent under clause (4), a financial institution under clause (6), or by order of the commissioner under clause (10); or under section 58.04, subdivision 2, paragraph

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(b), as a financial institution under clause (4), or by order of the commissioner under clause (8).

Sec. 15. Minnesota Statutes 1998, section 58.08, as amended by Laws 1999, chapter 151, section 36, is amended to read:

58.08 BONDS; LETTERS OF CREDIT.

Subdivision 1. REQUIREMENT OF RESIDENTIAL MORTGAGE ORIGINATORS. A residential mortgage originator licensee engaging in servicing a residential mortgage loan shall continuously maintain a surety bond or irrevocable letter of credit in an amount not less than \$50,000 in a form approved by the commissioner, issued by an insurance company or bank authorized to do so in this state. The bond or irrevocable letter of credit must be available for the recovery of expenses, fines, and fees levied by the commissioner under this chapter relating to servicing, and for losses or damages incurred by borrowers as the result of a licensee's servicing-related noncompliance with the requirements of this chapter, sections 325D.43 to 325D.48, and 325F.67 to 325F.69, or breach of contract.

The bond or irrevocable letter of credit must be submitted with the originator's license application, and evidence of continued coverage must be submitted with each renewal. Any change in the bond or letter of credit must be submitted for approval by the commissioner, within ten days of its execution.

Subd. 2. REQUIREMENT OF RESIDENTIAL MORTGAGE SERVICERS. A residential mortgage servicer licensee shall continuously maintain a surety bond or irrevocable letter of credit in an amount not less than \$100,000 in a form approved by the commissioner, issued by an insurance company or bank authorized to do so in this state. The bond or irrevocable letter of credit must be available for the recovery of expenses, fines, and fees levied by the commissioner under this chapter, and for losses or damages incurred by borrowers or other aggrieved parties as the result of a licensee's noncompliance with the requirements of this chapter, sections 325D.43 to 325D.48, and 325F.67 to 325F.69, or breach of contract relating to activities regulated by this chapter.

The bond or irrevocable letter of credit must be submitted with the servicer's license application and evidence of continued coverage must be submitted with each renewal. Any change in the bond or letter of credit must be submitted for approval by the commissioner, within ten days of its execution.

Subd. 3. EXEMPTION. Subdivisions 1 and 2 do not apply to mortgage originators or mortgage servicers who are approved as seller/servicers by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

Subd. 4. IRREVOCABLE LETTER OF CREDIT. As used in this chapter, an irrevocable letter of credit must be accepted only if it is clean, irrevocable, and contains an evergreen clause.

(a) "Clean" means a letter of credit that is not conditioned on the delivery of any other documents or materials.

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(b) "Irrevocable" means a letter of credit that cannot be modified or revoked without the consent of the beneficiary once the beneficiary is established.

(c) "Evergreen clause" means one that specifically states the expiration of a letter of credit will not take place without a 60-day notice by the issuer and one that allows the issuer to conduct an annual review of the account party's financial condition. If prior notice of expiration is not given by the issuer, the letter of credit is automatically extended for one year.

A clean irrevocable letter of credit must be accepted only if it is issued by a financial institution that is authorized to engage in banking in any of the 50 states or under the laws of the United States, and whose business is substantially confined to banking and supervised by the state commissioner of commerce or similar official, and that has a long-term debt rating by a recognized national rating agency of investment grade or better. If no long-term debt rating is available, the financial institution must have the equivalent investment grade financial characteristics.

Sec. 16. Minnesota Statutes 1998, section 58.10, subdivision 1, is amended to read:

Subdivision 1. **AMOUNTS.** The following fees must be paid to the commissioner:

- (1) for an initial residential mortgage originator license, \$800;
- (2) for a renewal license, \$400;
- (3) for an initial residential mortgage servicer's license, \$1,000;
- (4) for a renewal license, \$500; and
- (5) license service fees as set forth in chapter 45; and
- (6) for a certificate of exemption, \$100.

Sec. 17. **[58.135] RATES AND CHARGES.**

Subdivision 1. **FIRST LIEN MORTGAGES.** A residential mortgage originator making first lien residential mortgage loans must comply with the applicable limits on residential mortgage loan rates, fees, and charges as found in sections 47.20 and 47.204.

Nothing in this subdivision prevents a financial institution under section 47.59, subdivision 1, paragraph (k), from making first lien residential mortgage loans under section 47.59 or other provisions of law available to financial institutions under that section.

Subd. 2. **JUNIOR LIEN MORTGAGES.** (a) A residential mortgage originator that is a bank, bank and trust, trust company with banking powers, savings bank, savings association, or credit union organized under the laws of this or any other state or the United States, or an industrial loan and thrift company under chapter 53 or a regulated lender under chapter 56 or an entity in another state subject to regulation substantially similar to chapter 53 or 56, making junior lien residential loans, must

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comply with the limits on residential mortgage loan rates, fees, and charges as found in section 47.59.

Nothing in this subdivision authorizes a mortgage originator to make loans on terms and conditions that would not be available to it in the absence of this section.

(b) A residential mortgage originator other than an entity designated in paragraph (a) making junior lien residential loans, must comply with the limits on residential mortgage loan rates, fees, and charges as found in section 47.20.

Sec. 18. Minnesota Statutes 1998, section 168.72, is amended by adding a subdivision to read:

Subd. 1a. **PROMPT CREDITING OF PAYMENTS.** (a) A contract holder shall credit a payment to the customer's account as of the date of receipt except when a delay in crediting does not result in a finance or other charge or except as provided in paragraph (b).

(b) If a retail installment contract or other instructions specify requirements for the consumer to follow in making payments, but the contract holder accepts a payment that does not conform to the requirements, the contract holder shall credit the payment within five days of receipt.

(c) If a contract holder fails to credit a payment, as required by paragraphs (a) and (b), in time to avoid the imposition of finance or other charges, the contract holder shall adjust the consumer's account so that the charges imposed are credited to the consumer's account promptly.

Sec. 19. COMMERCE DEPARTMENT EXAMINATION; FOUNDATION LOAN PORTFOLIO PILOT PROJECT.

(a) Any nonprofit charitable organization recognized as exempt from federal income taxation under section 501(c) (3) of the federal Internal Revenue Code of 1986, as amended, participating as a regional organization under the challenge grant program established under Minnesota Statutes, section 116J.415, and serving the counties of Aitkin, Cook, Lake, St. Louis, Carlton, Itasca, and Koochiching as of the effective date of this section, may enter into an agreement with the commissioner of commerce to facilitate the charitable organization's participation in the United States Small Business Administration guaranteed lender program.

(b) The agreement referred to in paragraph (a) shall provide for a level of examination and supervision by the department of commerce necessary for the charitable organization to meet United States Small Business Administration requirements for guaranteed lender status, including an annual examination of the books, accounts, records, and files related to the charitable organization's portfolio of guaranteed loans. Reports of the commissioner's annual examination shall be made available to the United States Small Business Administration upon request.

(c) The charitable organization shall pay the department's cost, as determined by the commissioner of commerce, of the supervision and examination required under an agreement entered into pursuant to this section. The charitable organization shall also

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pay the department's cost, as determined by the commissioner, of negotiating the agreement. Money received by the department under this subdivision must be deposited in the state treasury and credited to an account in the special revenue fund. Money in this account is annually appropriated to the commissioner for purposes of administering this section.

(d) This section expires December 31, 2003.

Sec. 20. VASA TOWNSHIP; DETACHED BANKING FACILITY.

With the prior approval of the commissioner of commerce, a bank operating its principal office in Cannon Falls may establish and maintain not more than one detached facility in Vasa township. A bank desiring to establish such a detached facility must follow the approval procedure prescribed in Minnesota Statutes, section 47.54. The establishment of a detached facility under this section is subject to Minnesota Statutes, sections 47.51 to 47.57, except to the extent those sections are inconsistent with this section.

Sec. 21. REPEALER.

(a) Minnesota Statutes 1998, sections 58.02, subdivision 15; and 58.05, subdivision 2, are repealed.

(b) Minnesota Rules, part 2675.4180, is repealed.

(c) Minnesota Rules, part 2675.6141, subpart 1, is repealed effective the day following final enactment.

Sec. 22. EFFECTIVE DATES.

Sections 1 to 3, 5 to 16, 19, and 21 are effective the day after final enactment. Sections 4, 17, and 18 are effective July 1, 2000. Section 20 is effective the day after compliance by the governing body of Vasa township with Minnesota Statutes, section 645.021, subdivision 3.

Presented to the governor April 17, 2000

Signed by the governor April 20, 2000, 10:19 a.m.

CHAPTER 428—S.F.No. 2683

An act relating to game and fish; exempting archery bows used for bow fishing from casing requirement; authorizing disability permits for taking rough fish and hunting small game with a crossbow; amending Minnesota Statutes 1998, sections 97B.051; 97B.055, subdivision 2; and 97B.106.

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

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