

House Research Act Summary

CHAPTER: 56

SESSION: 2001

TOPIC: Omnibus Financial Institutions Bill

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Overview

This is the department of commerce's omnibus financial institutions bill. It makes a variety of substantive, clarifying, and technical changes in laws regulating banks, finance companies, and mortgage originators.

Section

- 1 **Authority; approval; limitations.** Under current law, a bank or similar type of institution may invest in land and buildings for purposes of its own operation if the total value is less than 50 percent of the bank's capital stock and surplus, without prior approval of the commissioner. The bank may increase that to 75 percent with prior approval of the commissioner. This section would change the 75 percent to 100 percent.
- 2 **Detached banking facilities; definitions.** Provides that an unstaffed after-hours drop box is considered a part of the bank's main office or branch office, so long as it is in the same municipality as the main office or branch, without regard to whether it is within 1,500 feet of the main office or branch. The effect of this is to avoid treating these drop boxes as separate branch offices of the bank.
- 3 **Stockholder list.** Eliminates the requirement for state-chartered banks to file stockholder lists annually with the commissioner.
- 4 **Stockholder list; filing with county recorder.** Eliminates a requirement that state-chartered banks that do not have federal deposit insurance file stockholder lists annually with the county recorder. (Minnesota banks are now all required to have federal deposit insurance.)
- 5 **Banks may not pledge assets; exceptions.** This section makes two changes in the list of exceptions to the rule that a bank or trust company must not create a lien on its assets. The new exceptions are for pledges to support an agreement to repurchase securities issued by certain federally-related agencies and pledges to secure an interest rate swap agreement.

- 6 **Subsidiaries.** Increases the percentage of a bank's or trust company's capital stock and surplus that the bank or trust company may invest in a subsidiary, either as a loan or as an equity investment, from 25 percent to 50 percent. These investments would still be subject to prior approval of the commissioner. Also changes the definition of a subsidiary from 50 percent ownership to 20 percent ownership.
- 7 **Investigation; issuance of license; denial; refunds.** Technical correction to conform to a 1999 change in the required investigation fee. This section does not change the fee; that was changed in 1999.
- 8 **Advertisement.** Provides a definition of "advertisement" for purposes of regulation of mortgage loan originators. This term is used in another section prohibiting false, deceptive, or misleading advertising.
- 9 **Rates and charges.** Requires mortgage originators to comply with applicable Minnesota laws relating to interest rates, fees, and other loan related charges, on loans made to borrowers located in this state. Makes this section applicable to mortgage originators located in Minnesota or elsewhere. This section replaces a similar law enacted in 2000 with a delayed effective date, which is repealed in this bill.
- 10 **Record retention.** Requires mortgage originators to keep copies of advertisements they use for 26 months.
- 11 **Nonagency disclosure.** Changes the time-frame for a disclosure to mortgage loan customers from 72 hours to three business days. The disclosure involves telling the customer that the mortgage originator is not acting on behalf of the borrower in the transaction.
- 12 **Repealer.** Repeals a law making shareholders in state-chartered banks personally liable to the bank's depositors in the event of an insolvency, if the bank does not have federal deposit insurance. Repeals a law replaced by section 9 in this bill.
- 13 **Effective date.** Makes sections 1 to 7, 11 and 12 effective immediately.