

TWENTY-NINTH DAY

St. Paul, Minnesota, Thursday, March 23, 1995

The Senate met at 8:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Patrick L. Hall.

The roll was called, and the following Senators answered to their names:

Anderson	Hanson	Laidig	Novak	Sams
Beckman	Hottinger	Langseth	Oliver	Samuelson
Belanger	Janezich	Larson	Olson	Scheevel
Berg	Johnson, D.E.	Lesewski	Ourada	Solon
Berglin	Johnson, D.J.	Lessard	Pappas	Spear
Bertram	Johnson, J.B.	Limmer	Pariseau	Stevens
Betzold	Johnston	Marty	Piper	Stumpf
Chandler	Kelly	Merriam	Pogemiller	Terwilliger
Chmielewski	Kiscaden	Metzen	Price	Vickerman
Cohen	Kleis	Moe, R.D.	Ranum	Wiener
Dille	Knutson	Mondale	Reichgott Junge	
Finn	Kramer	Morse	Riveness	
Flynn	Krentz	Murphy	Robertson	
Frederickson	Kroening	Neuville	Runbeck	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received and referred to the committee indicated.

March 2, 1995

The Honorable Allan H. Spear
President of the Senate

Dear Sir:

The following appointments are hereby respectfully submitted to the Senate for confirmation as required by law:

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Tom Martinson, 4536 Oxford Ave. S., Edina, Hennepin County, effective March 7, 1995, for a term expiring on the first Monday in January, 1999.

Kathryn Balstad Brewer, 321 Silver Lake Rd., New Brighton, Ramsey County, effective March 7, 1995, for a term expiring on the first Monday in January, 1999.

(Referred to the Committee on Education.)

Warmest regards,
Arne H. Carlson, Governor

March 20, 1995

The Honorable Allan H. Spear
President of the Senate

Dear President Spear:

It is my honor to inform you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 64 and 323.

Warmest regards,
Arne H. Carlson, Governor

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 318.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 1995

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 5:

H.F. No. 5: A bill for an act relating to health and human services; authorizing welfare reform; childhood immunization; social services programs; recovery of funds; requesting federal waivers for programs; employment, education, and training programs; allocation and use of funds; coverage of health services; child support; data collection and disclosure; tax credits; appropriating money; amending Minnesota Statutes 1994, sections 13.46, subdivision 2; 256.01, subdivision 11, and by adding subdivisions; 256.031, subdivision 3; 256.035, subdivision 6d; 256.73, subdivision 8, and by adding subdivisions; 256.736, subdivisions 3, 3a, 4a, 5, 10, 10a, 16, and by adding a subdivision; 256.737, subdivisions 1a and 2; 256.74, by adding a subdivision; 256.81; 256.87, subdivisions 1, 1a, and 5; 256.979, by adding a subdivision; 256.983, subdivision 1; 256B.0625, subdivision 13; 256D.03, subdivision 4; 256D.05, subdivisions 1 and 6; 256D.051, subdivisions 1, 1a, 2, 3, 3a, 3b, 6, 6b, 8, 9, 17, and by adding a subdivision; 256D.052, subdivision 3; 256D.09, subdivision 2a, and by adding subdivisions; and 518.575; proposing coding for new law in Minnesota Statutes, chapters 256; 256B; 256D; and 268; repealing Minnesota Statutes 1994, sections 256.734; 256D.051, subdivisions 10, 13, 14, and 15; 256D.052, subdivisions 1, 2, and 4; 256D.065; 256D.091; 256D.101; 256D.111; and 256D.113.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

Anderson, R.; Van Engen; Vickerman; Lourey and Jennings have been appointed as such committee on the part of the House.

House File No. 5 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 22, 1995

Mr. Samuelson moved that the Senate accede to the request of the House for a Conference

Committee on H.F. No. 5, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 812, 974, 975, 365, 479 and 833.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 22, 1995

FIRST READING OF HOUSE BILLS

The following bills were read the first time and referred to the committees indicated.

H.F. No. 812: A bill for an act relating to natural resources; broadening the uses permitted for emergency materials and equipment; amending Minnesota Statutes 1994, section 88.065.

Referred to the Committee on Environment and Natural Resources.

H.F. No. 974: A bill for an act relating to health; modifying certain fee payment time schedules; amending Minnesota Statutes 1994, section 144.98, subdivision 3.

Referred to the Committee on Health Care.

H.F. No. 975: A bill for an act relating to health; modifying the definition of home care service; modifying home care service information requirements; amending Minnesota Statutes 1994, sections 144A.43, subdivision 3; and 144A.47.

Referred to the Committee on Health Care.

H.F. No. 365: A bill for an act relating to insurance; no-fault auto; regulating priorities of coverage for taxis; amending Minnesota Statutes 1994, section 65B.47, subdivision 1a.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 457.

H.F. No. 479: A bill for an act relating to parks and recreation; additions to and deletions from state parks; establishing a new state park and deleting two state waysides; amending Minnesota Statutes 1994, section 84.054, by adding a subdivision; repealing Minnesota Statutes 1994, section 85.013, subdivisions 13 and 20.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 548, now on General Orders.

H.F. No. 833: A bill for an act relating to local government; modifying certain provisions relating to comprehensive municipal planning in the metropolitan area; amending Minnesota Statutes 1994, sections 103B.235, subdivisions 3, 5, and by adding a subdivision; 462.355, by adding a subdivision; 462.357, subdivision 2; 473.858, subdivision 1; 473.859, subdivisions 1, 2, and 5; 473.864, subdivision 2; and 473.867, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 841, now on General Orders.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was re-referred

S.F. No. 657: A bill for an act relating to public administration; clarifying the authority and procedures of the board of government innovation and cooperation; establishing application procedures for cooperation planning grants; appropriating money; amending Minnesota Statutes 1994, sections 465.798; 465.799; 465.801; 465.81, subdivision 1; 465.82, subdivision 2; 465.84; 465.85; and 465.87.

Reports the same back with the recommendation that the bill be amended as follows:

Page 6, line 29, after the first "with" insert "any process within"

Page 6, line 30, after "414" insert "that results in the elimination of at least one local government unit"

Page 6, line 31, after the period, insert "If two units of government cooperate in the orderly annexation of the entire area of a third unit of government that has a population of at least 8,000, the two units of government are each eligible for the amount of aid specified in subdivision 2."

Page 8, line 8, after "which" insert "a combination in any form is expected to be ordered by the municipal board as evidenced in resolutions adopted by July 1 by the affected local government units declaring their intent to combine, or during which"

Page 8, line 11, after the period, insert "Payments to a local government unit that qualifies for aid pursuant to subdivision 1a must be made on the dates provided for payments of local government aids under section 477A.013, beginning in the calendar year during which a combination in any form is expected to be ordered by the Minnesota municipal board as evidenced in a resolution adopted by July 1 by the affected local government units declaring their intent to combine. The resolutions must certify that the combination agreement addressing all issues relative to the combination is substantially complete."

Page 8, after line 27, insert:

"Sec. 9. [465.88] [CONSOLIDATION STUDY GRANTS.]

A local unit of government with a population no greater than 2,500 involved in a consolidation proceeding initiated by the municipal board on its own motion under section 414.041, subdivision 1, may apply to the board for a grant under this section. The grant may not exceed \$20,000. A grant under this section must be used to cover costs associated with the consolidation proceeding."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 9, before the period, insert "; proposing coding for new law in Minnesota Statutes, chapter 465"

And when so amended the bill do pass and be re-referred to the Committee on Taxes and Tax Laws. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 344 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS

H.F. No. 344 S.F. No. 303

CONSENT CALENDAR

H.F. No. S.F. No.

CALENDAR

H.F. No. S.F. No.

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 344 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 344 and insert the language after the enacting clause of S.F. No. 303, the first engrossment; further, delete the title of H.F. No. 344 and insert the title of S.F. No. 303, the first engrossment.

And when so amended H.F. No. 344 will be identical to S.F. No. 303, and further recommends that H.F. No. 344 be given its second reading and substituted for S.F. No. 303, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 544 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS

CONSENT CALENDAR

CALENDAR

H.F. No. S.F. No.
544 520

H.F. No. S.F. No.

H.F. No. S.F. No.

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 544 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 544 and insert the language after the enacting clause of S.F. No. 520, the first engrossment; further, delete the title of H.F. No. 544 and insert the title of S.F. No. 520, the first engrossment.

And when so amended H.F. No. 544 will be identical to S.F. No. 520, and further recommends that H.F. No. 544 be given its second reading and substituted for S.F. No. 520, and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

SECOND READING OF HOUSE BILLS

H.F. Nos. 344 and 544 were read the second time.

MOTIONS AND RESOLUTIONS

Mr. Bertram moved that his name be stricken as a co-author to S.F. No. 1035. The motion prevailed.

Ms. Robertson moved that the name of Mr. Novak be added as a co-author to S.F. No. 1093. The motion prevailed.

Mr. Johnson, D.J. moved that his name be stricken as a co-author to S.F. No. 1214. The motion prevailed.

Mr. Vickerman moved that his name be stricken as a co-author to S.F. No. 1239. The motion prevailed.

Mr. Vickerman moved that his name be stricken as a co-author to S.F. No. 1240. The motion prevailed.

Mr. Samuelson moved that the name of Mr. Stevens be added as a co-author to S.F. No. 1254. The motion prevailed.

Mr. Beckman moved that the name of Mr. Finn be added as a co-author to S.F. No. 1281. The motion prevailed.

Ms. Olson moved that the name of Mr. Kramer be added as a co-author to S.F. No. 1305. The motion prevailed.

Mr. Neuville moved that the name of Mr. Finn be added as a co-author to S.F. No. 1309. The motion prevailed.

Mr. Frederickson moved that the names of Messrs. Terwilliger and Johnson, D.E. be added as co-authors to S.F. No. 1310. The motion prevailed.

Ms. Reichgott Junge moved that the name of Mr. Hottinger be added as a co-author to S.F. No. 1328. The motion prevailed.

Mr. Betzold moved that S.F. No. 989 be withdrawn from the Committee on Health Care and returned to its author. The motion prevailed.

Ms. Robertson moved that S.F. No. 1093 be withdrawn from the Committee on Jobs, Energy and Community Development and re-referred to the Committee on Education. The motion prevailed.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate proceed to the Order of Business of Introduction and First Reading of Senate Bills. The motion prevailed.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Messrs. Stevens and Ourada introduced--

S.F. No. 1358: A bill for an act relating to Sand Dunes state forest; directing establishment of a shooting area; appropriating money.

Referred to the Committee on Environment and Natural Resources.

Mses. Ranum and Pappas introduced--

S.F. No. 1359: A bill for an act relating to education; increasing funding for certain kindergarten students; requiring certain prekindergarten activities; creating a levy; appropriating money; amending Minnesota Statutes 1994, section 124.17, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 124.

Referred to the Committee on Education.

Mr. Laidig introduced--

S.F. No. 1360: A bill for an act relating to lawful gambling; providing that a city's trade area for purpose of limiting expenditures of net profits may consist of all or part of the city's school district; allowing cities and counties to adopt reporting requirements; allowing cities and counties to adopt residence requirements as a condition of approval of premises permits; amending Minnesota Statutes 1994, section 349.213.

Referred to the Committee on Gaming Regulation.

Mses. Berglin, Piper and Johnson, J.B. introduced--

S.F. No. 1361: A bill for an act relating to children; appropriating money for an Indian child welfare defense corporation.

Referred to the Committee on Family Services.

Mr. Lessard introduced--

S.F. No. 1362: A bill for an act relating to natural resources; providing for coordination of

efforts of public and private sectors in the sustainable management, use, development, and protection of Minnesota's forest resources; establishing a forest resources council and regional forest resource committees; appropriating money; proposing coding for new law as Minnesota Statutes, chapter 89A.

Referred to the Committee on Environment and Natural Resources.

Mr. Lessard introduced--

S.F. No. 1363: A bill for an act relating to natural resources; appropriating money for studies relating to harvesting of peat; requiring reports.

Referred to the Committee on Environment and Natural Resources.

Mr. Langseth introduced--

S.F. No. 1364: A bill for an act relating to the department of human rights; specifying the scope of an inquiry by the commissioner; changing the classification of certain data in an open file; amending Minnesota Statutes 1994, sections 363.06, subdivision 4; and 363.061, subdivision 2; repealing Minnesota Statutes 1994, section 363.06, subdivision 2.

Referred to the Committee on Judiciary.

Messrs. Solon, Janezich, Samuelson, Kroening and Metzen introduced--

S.F. No. 1365: A bill for an act relating to public safety; regulating fireworks; modifying the definitions of the term fireworks; permitting sale of certain fireworks; amending Minnesota Statutes 1994, section 624.20, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 624.

Referred to the Committee on Crime Prevention.

Ms. Olson, Messrs. Merriam, Lessard, Finn and Frederickson introduced--

S.F. No. 1366: A bill for an act relating to natural resources; authorizing Hennepin county to construct a seawall on Lake Minnetonka without a permit.

Referred to the Committee on Environment and Natural Resources.

Mr. Chmielewski introduced--

S.F. No. 1367: A bill for an act relating to human services; appropriating money for a family service center in Carlton county.

Referred to the Committee on Family Services.

Messrs. Metzen and Solon introduced--

S.F. No. 1368: A bill for an act relating to civil actions; imputing liability in dram shop actions; amending Minnesota Statutes 1994, section 340A.801, subdivision 3.

Referred to the Committee on Judiciary.

Messrs. Murphy and Finn introduced--

S.F. No. 1369: A bill for an act relating to watercraft; designating waterskiing as the official state sport; establishing standards for surface water use; amending Minnesota Statutes 1994, section 86B.121; proposing coding for new law in Minnesota Statutes, chapter 1.

Referred to the Committee on Environment and Natural Resources.

Mr. Beckman introduced--

S.F. No. 1370: A bill for an act relating to education; modifying eligibility for debt service equalization; amending Minnesota Statutes 1994, section 124.95, subdivision 2.

Referred to the Committee on Education.

Mr. Cohen introduced--

S.F. No. 1371: A bill for an act relating to civil actions; regulating actions involving fault; informing the jury of the effect of its answers to comparative fault questions and allowing comment by counsel in certain circumstances; amending Minnesota Statutes 1994, section 604.01, subdivision 1.

Referred to the Committee on Judiciary.

Mr. Langseth introduced--

S.F. No. 1372: A bill for an act relating to education; appropriating money for asbestos sampling and revising management plans for schools in the West Central Cooperative Service Unit.

Referred to the Committee on Education.

Mr. Price introduced--

S.F. No. 1373: A bill for an act relating to the environment; allowing the pollution control agency to continue to do environmental assessments at automobile salvage yards; providing incentives for recycling mercury from automobiles; appropriating money; amending Minnesota Statutes 1994, sections 116.66, subdivisions 2, 4, and by adding a subdivision; and 116.92, subdivision 3.

Referred to the Committee on Environment and Natural Resources.

Mr. Marty introduced--

S.F. No. 1374: A bill for an act relating to government; modifying a budget report date for cities; eliminating certain budget publication requirements; amending Minnesota Statutes 1994, sections 6.745, subdivision 1; and 471.6965.

Referred to the Committee on Metropolitan and Local Government.

Mr. Price and Ms. Pappas introduced--

S.F. No. 1375: A bill for an act relating to education; creating funding for school districts that offer year-round education; authorizing bonds; proposing coding for new law in Minnesota Statutes, chapters 120 and 124.

Referred to the Committee on Education.

Ms. Reichgott Junge and Mr. Johnson, D.J. introduced--

S.F. No. 1376: A bill for an act relating to taxation; authorizing the board of government innovation and cooperation to conduct a pilot project for establishment of aid distribution councils; appropriating money; amending Minnesota Statutes 1994, section 465.795, subdivision 7; proposing coding for new law in Minnesota Statutes, chapter 465.

Referred to the Committee on Taxes and Tax Laws.

Mr. Neuville, Mses. Olson, Johnston and Mr. Larson introduced--

S.F. No. 1377: A bill for an act relating to education; establishing a program to expand the economic freedom of lower-income students to select their schools of attendance; appropriating money; amending Minnesota Statutes 1994, section 124A.032; proposing coding for new law in Minnesota Statutes, chapter 124A.

Referred to the Committee on Education.

Messrs. Neuville, Knutson and Ms. Olson introduced--

S.F. No. 1378: A bill for an act relating to education; establishing a block grant program for American Indian education; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 124; repealing Minnesota Statutes 1994, sections 124.48; 124.481; 124.86, subdivision 4; and 125.62.

Referred to the Committee on Education.

Mr. Lessard introduced--

S.F. No. 1379: A bill for an act relating to recreational vehicles; implementing titling system for snowmobiles; imposing fees and penalties; amending Minnesota Statutes 1994, sections 84.81; 84.82, subdivision 1a; 84.821, by adding a subdivision; 84.83, subdivision 2; 84.84; and 84.85; proposing coding for new law in Minnesota Statutes, chapter 84.

Referred to the Committee on Environment and Natural Resources.

Mr. Larson, Ms. Wiener, Messrs. Beckman, Neuville and Langseth introduced--

S.F. No. 1380: A bill for an act relating to education; requiring post-secondary systems to develop and implement plans for career placement; requiring placement tracking and reports; proposing coding for new law in Minnesota Statutes, chapter 135A.

Referred to the Committee on Education.

Messrs. Chandler, Riveness, Ms. Kiscaden and Mr. Samuelson introduced--

S.F. No. 1381: A bill for an act relating to vocational rehabilitation; authorizing additional funding for employment support services for persons with mental illness; appropriating money.

Referred to the Committee on Jobs, Energy and Community Development.

Mr. Morse, Ms. Wiener, Messrs. Stumpf, Merriam and Terwilliger introduced--

S.F. No. 1382: A bill for an act relating to employment; modifying certain collective bargaining agreement provisions; proposing coding for new law in Minnesota Statutes, chapter 179A.

Referred to the Committee on Governmental Operations and Veterans.

Messrs. Morse, Merriam, Laidig, Chandler and Frederickson introduced--

S.F. No. 1383: A bill for an act relating to forests; modifying and expanding responsibilities of the department of natural resources with respect to management of forest resources; amending Minnesota Statutes 1994, sections 89.001, subdivisions 8, 9, 10, and by adding subdivisions; 89.01, subdivision 1; 89.011, subdivisions 1, 2, and 3; and 90.041, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 89.

Referred to the Committee on Environment and Natural Resources.

Ms. Anderson, Messrs. Riveness, Cohen, Hottinger and Metzen introduced--

S.F. No. 1384: A bill for an act relating to state government; abolishing the department of human rights and transferring its responsibilities to the attorney general; amending Minnesota Statutes 1994, sections 15.01; 15.06, subdivision 1; 15A.081, subdivision 1; 43A.08, subdivision 1a; 363.06, subdivision 4; 363.071, subdivisions 2 and 7; and 363.14, subdivision 3; repealing Minnesota Statutes 1994, sections 363.01, subdivisions 8 and 12; and 363.121.

Referred to the Committee on Governmental Operations and Veterans.

Mr. Cohen introduced--

S.F. No. 1385: A bill for an act relating to consumer protection; consumer warranties; requiring the transferability of certain warranties; proposing coding for new law in Minnesota Statutes, chapter 325G.

Referred to the Committee on Commerce and Consumer Protection.

Ms. Pappas introduced--

S.F. No. 1386: A bill for an act relating to education; enhancing efficiency, promoting flexibility, and eliminating reporting requirements of schools; amending Minnesota Statutes 1994, sections 120.101, subdivisions 5c and 8; 120.102, subdivision 1; 120.103, subdivisions 1, 2, 3, 4, and 5; 120.74, subdivision 1; 120.75, subdivision 1; 121.912, subdivision 1; 123.70, subdivision 8; 124.243, subdivision 8; 124.91, subdivision 3; 124A.03, subdivision 2; 124A.26, subdivision 1a; 126.031, subdivision 1; 126.237; and 169.452; repealing Minnesota Statutes 1994, sections 120.102, subdivision 4; 121.207; 123.799; 124A.22, subdivision 2a; and 126.22, subdivision 5; and Laws 1994, chapter 647, article 3, section 25.

Referred to the Committee on Education.

Ms. Johnston, Mr. Belanger and Ms. Hanson introduced--

S.F. No. 1387: A bill for an act relating to taxation; allowing, for purposes of the sales tax on motor vehicles, a reduction in the purchase price of a motor vehicle for the value of a previous vehicle that was sold by the purchaser and for which the sales tax was paid; making a technical change; amending Minnesota Statutes 1994, section 297B.01, subdivision 8.

Referred to the Committee on Taxes and Tax Laws.

Mses. Johnston, Flynn, Messrs. Morse and Belanger introduced--

S.F. No. 1388: A bill for an act relating to taxation; property; increasing the income requirements for new applicants under the green acres program; providing for the classification of property which is used for both residential and agricultural purposes; amending Minnesota Statutes 1994, sections 273.111, subdivision 6; and 273.13, subdivision 23.

Referred to the Committee on Taxes and Tax Laws.

Messrs. Knutson, Stevens, Ms. Runbeck, Messrs. Hottinger and Metzen introduced--

S.F. No. 1389: A bill for an act relating to administrative rules; repealing obsolete rules of the departments of agriculture, commerce, health, human services, public safety, public service, and revenue and the pollution control agency; removing internal references to repealed rules; amending Minnesota Rules, parts 1540.2140; 7001.0140, subpart 2; 7001.0180; 8130.3500, subpart 3; and 8130.6500, subpart 5; repealing Minnesota Rules, parts 1540.0010, subparts 12, 18, 21, 22, and 24; 1540.0060; 1540.0070; 1540.0080; 1540.0100; 1540.0110; 1540.0120; 1540.0130; 1540.0140; 1540.0150; 1540.0160; 1540.0170; 1540.0180; 1540.0190; 1540.0200; 1540.0210; 1540.0220; 1540.0230; 1540.0240; 1540.0260; 1540.0320; 1540.0330; 1540.0340; 1540.0350;

1540.0370; 1540.0380; 1540.0390; 1540.0400; 1540.0410; 1540.0420; 1540.0440; 1540.0450;
1540.0460; 1540.0490; 1540.0500; 1540.0510; 1540.0520; 1540.0770; 1540.0780; 1540.0800;
1540.0810; 1540.0830; 1540.0880; 1540.0890; 1540.0900; 1540.0910; 1540.0920; 1540.0930;
1540.0940; 1540.0950; 1540.0960; 1540.0970; 1540.0980; 1540.0990; 1540.1000; 1540.1005;
1540.1010; 1540.1020; 1540.1030; 1540.1040; 1540.1050; 1540.1060; 1540.1070; 1540.1080;
1540.1090; 1540.1100; 1540.1110; 1540.1120; 1540.1130; 1540.1140; 1540.1150; 1540.1160;
1540.1170; 1540.1180; 1540.1190; 1540.1200; 1540.1210; 1540.1220; 1540.1230; 1540.1240;
1540.1250; 1540.1255; 1540.1260; 1540.1280; 1540.1290; 1540.1300; 1540.1310; 1540.1320;
1540.1330; 1540.1340; 1540.1350; 1540.1360; 1540.1380; 1540.1400; 1540.1410; 1540.1420;
1540.1430; 1540.1440; 1540.1450; 1540.1460; 1540.1470; 1540.1490; 1540.1500; 1540.1510;
1540.1520; 1540.1530; 1540.1540; 1540.1550; 1540.1560; 1549.1570; 1540.1580; 1540.1590;
1540.1600; 1540.1610; 1540.1620; 1540.1630; 1540.1640; 1540.1650; 1540.1660; 1540.1670;
1540.1680; 1540.1690; 1540.1700; 1540.1710; 1540.1720; 1540.1730; 1540.1740; 1540.1750;
1540.1760; 1540.1770; 1540.1780; 1540.1790; 1540.1800; 1540.1810; 1540.1820; 1540.1830;
1540.1840; 1540.1850; 1540.1860; 1540.1870; 1540.1880; 1540.1890; 1540.1900; 1540.1905;
1540.1910; 1540.1920; 1540.1930; 1540.1940; 1540.1950; 1540.1960; 1540.1970; 1540.1980;
1540.1990; 1540.2000; 1540.2010; 1540.2015; 1540.2020; 1540.2090; 1540.2100; 1540.2110;
1540.2120; 1540.2180; 1540.2190; 1540.2200; 1540.2210; 1540.2220; 1540.2230; 1540.2240;
1540.2250; 1540.2260; 1540.2270; 1540.2280; 1540.2290; 1540.2300; 1540.2310; 1540.2320;
1540.2325; 1540.2330; 1540.2340; 1540.2350; 1540.2360; 1540.2370; 1540.2380; 1540.2390;
1540.2400; 1540.2410; 1540.2420; 1540.2430; 1540.2440; 1540.2450; 1540.2490; 1540.2500;
1540.2510; 1540.2530; 1540.2540; 1540.2550; 1540.2560; 1540.2570; 1540.2580; 1540.2590;
1540.2610; 1540.2630; 1540.2640; 1540.2650; 1540.2660; 1540.2720; 1540.2730; 1540.2740;
1540.2760; 1540.2770; 1540.2780; 1540.2790; 1540.2800; 1540.2810; 1540.2820; 1540.2830;
1540.2840; 1540.3420; 1540.3430; 1540.3440; 1540.3450; 1540.3460; 1540.3470; 1540.3560;
1540.3600; 1540.3610; 1540.3620; 1540.3630; 1540.3700; 1540.3780; 1540.3960; 1540.3970;
1540.3980; 1540.3990; 1540.4000; 1540.4010; 1540.4020; 1540.4030; 1540.4040; 1540.4080;
1540.4190; 1540.4200; 1540.4210; 1540.4220; 1540.4320; 1540.4330; 1540.4340; 2642.0120;
subpart 1; 2650.0100; 2650.0200; 2650.0300; 2650.0400; 2650.0500; 2650.0600; 2650.1100;
2650.1200; 2650.1300; 2650.1400; 2650.1500; 2650.1600; 2650.1700; 2650.1800; 2650.1900;
2650.2000; 2650.2100; 2650.3100; 2650.3200; 2650.3300; 2650.3400; 2650.3500; 2650.3600;
2650.3700; 2650.3800; 2650.3900; 2650.4000; 2650.4100; 2655.1000; 2660.0070; 2770.7400;
4610.2210; 7002.0410; 7002.0420; 7002.0430; 7002.0440; 7002.0450; 7002.0460; 7002.0470;
7002.0480; 7002.0490; 7047.0010; 7047.0020; 7047.0030; 7047.0040; 7047.0050; 7047.0060;
7047.0070; 7100.0300; 7100.0310; 7100.0320; 7100.0330; 7100.0335; 7100.0340; 7100.0350;
7510.6100; 7510.6200; 7510.6300; 7510.6350; 7510.6400; 7510.6500; 7510.6600; 7510.6700;
7510.6800; 7510.6900; 7510.6910; 7600.0100; 7600.0200; 7600.0300; 7600.0400; 7600.0500;
7600.0600; 7600.0700; 7600.0800; 7600.0900; 7600.1000; 7600.1100; 7600.1200; 7600.1300;
7600.1400; 7600.1500; 7600.1600; 7600.1700; 7600.1800; 7600.1900; 7600.2000; 7600.2100;
7600.2200; 7600.2300; 7600.2400; 7600.2500; 7600.2600; 7600.2700; 7600.2800; 7600.2900;
7600.3000; 7600.3100; 7600.3200; 7600.3300; 7600.3400; 7600.3500; 7600.3600; 7600.3700;
7600.3800; 7600.3900; 7600.4000; 7600.4100; 7600.4200; 7600.4300; 7600.4400; 7600.4500;
7600.4600; 7600.4700; 7600.4800; 7600.4900; 7600.5000; 7600.5100; 7600.5200; 7600.5300;
7600.5400; 7600.5500; 7600.5600; 7600.5700; 7600.5800; 7600.5900; 7600.6000; 7600.6100;
7600.6200; 7600.6300; 7600.6400; 7600.6500; 7600.6600; 7600.6700; 7600.6800; 7600.6900;
7600.7000; 7600.7100; 7600.7200; 7600.7210; 7600.7300; 7600.7400; 7600.7500; 7600.7600;
7600.7700; 7600.7750; 7600.7800; 7600.7900; 7600.8100; 7600.8200; 7600.8300; 7600.8400;
7600.8500; 7600.8600; 7600.8700; 7600.8800; 7600.8900; 7600.9000; 7600.9100; 7600.9200;
7600.9300; 7600.9400; 7600.9500; 7600.9600; 7600.9700; 7600.9800; 7600.9900; 7625.0100;
7625.0110; 7625.0120; 7625.0200; 7625.0210; 7625.0220; 7625.0230; 8120.1100, subpart 3;
8121.0500, subpart 2; 8130.9912; 8130.9913; 8130.9916; 8130.9920; 8130.9930; 8130.9956;
8130.9958; 8130.9968; 8130.9972; 8130.9980; 8130.9992; 9540.0100; 9540.0200; 9540.0300;
9540.0400; 9540.0500; 9540.1000; 9540.1100; 9540.1200; 9540.1300; 9540.1400; 9540.1500;
9540.2000; 9540.2100; 9540.2200; 9540.2300; 9540.2400; 9540.2500; 9540.2600; and
9540.2700.

Referred to the Committee on Governmental Operations and Veterans.

Messrs. Ourada and Hottinger introduced--

S.F. No. 1390: A bill for an act relating to commerce; specifying kinds of wood for certain exterior construction applications; amending Minnesota Statutes 1994, section 16B.61, subdivision 3.

Referred to the Committee on Governmental Operations and Veterans.

Mr. Terwilliger and Ms. Reichgott Junge introduced--

S.F. No. 1391: A bill for an act relating to criminal justice; requiring public data held by the bureau of criminal apprehension to be made available to law enforcement agencies on the Internet; requiring the bureau of criminal apprehension to plan for law enforcement Internet access to data that is not public; providing grants to law enforcement agencies to establish connections to the Internet; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 299C.

Referred to the Committee on Crime Prevention.

Ms. Pappas introduced--

S.F. No. 1392: A bill for an act relating to taxation; restructuring certain aids paid to cities and counties; creating a property tax reform commission; amending Minnesota Statutes 1994, sections 273.1398, subdivision 2; 477A.011, by adding subdivisions; 477A.012, by adding a subdivision; 477A.0121, subdivision 4; 477A.013, by adding subdivisions; and 477A.03, subdivision 1; repealing Minnesota Statutes 1994, sections 477A.013, subdivisions 8 and 9; and 477A.03, subdivision 2.

Referred to the Committee on Taxes and Tax Laws.

Mr. Pogemiller introduced--

S.F. No. 1393: A bill for an act relating to public finance; providing conditions and requirements for the issuance of debt and use of the proceeds; providing procedures for use of obligations to satisfy unfunded pension liabilities; authorizing use of capital improvement bonds for indoor ice arenas; exempting issuance of certain debt from election requirements; authorizing home rule charter cities to issue tax anticipation certificates; authorizing operation of certain recreational facilities; providing for the computation of tax increment from certain hazardous substance subdistricts; authorizing continuing disclosure agreements; providing for funding of self-insurance by political subdivisions; providing for the issuance of temporary obligations and modifying issuance procedures; amending Minnesota Statutes 1994, sections 353A.09, subdivision 5; 373.40, subdivision 1; 423A.02, subdivision 1; 447.46; 462C.05, subdivision 1; 469.041; 469.060, subdivision 1; 469.102, subdivision 1; 469.174, subdivision 4, and by adding subdivisions; 469.175, subdivision 1; 469.177, subdivisions 1, 1a, and 2; 471.16, subdivision 1; 471.191, subdivisions 1 and 2; 471.56, by adding a subdivision; 471.98, subdivision 3; 471.981, subdivisions 2, 4a, 4b, and 4c; 475.51, subdivision 4; 475.52, subdivision 6; 475.58, subdivision 1, and by adding a subdivision; 475.60, by adding a subdivision; 475.61, by adding a subdivision; 475.63; and 475.79; proposing coding for new law in Minnesota Statutes, chapters 373; and 410.

Referred to the Committee on Taxes and Tax Laws.

Messrs. Terwilliger and Morse introduced--

S.F. No. 1394: A bill for an act relating to retirement; teacher retirement plans; adjusting benefit coverage to account for certain extracurricular activity management compensation amounts; requiring rulemaking by the state board of education; amending Minnesota Statutes 1994, sections 354.05, by adding subdivisions; 354.07, by adding a subdivision; 354.44, subdivision 6; 354.46, subdivision 1; 354A.011, by adding subdivisions; 354A.021, by adding a subdivision; and 354A.31, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 121; 125; 354; and 354A.

Referred to the Committee on Governmental Operations and Veterans.

Messrs. Terwilliger, Merriam, Riveness, Frederickson and Johnson, D.E. introduced--

S.F. No. 1395: A bill for an act relating to state obligations; authorizing listing of state obligations; amending Minnesota Statutes 1994, section 16A.672, by adding a subdivision.

Referred to the Committee on Finance.

Mr. Knutson, Mrs. Pariseau and Mr. Betzold introduced--

S.F. No. 1396: A bill for an act relating to local government; requiring counties, cities, and towns to codify and print ordinances, resolutions, and rules; requiring the local governmental unit to furnish copies to the county law library; amending Minnesota Statutes 1994, sections 375.52; and 415.021.

Referred to the Committee on Metropolitan and Local Government.

Mses. Krentz, Wiener, Reichgott Junge and Pappas introduced--

S.F. No. 1397: A bill for an act relating to education; establishing an annual statewide achievement report; establishing average student achievement standards; adjusting school district net tax capacities; reducing school district referendum allowances; providing for school district discretionary revenue; establishing income-based referendum authority; establishing market value referendum levies; modifying provisions for training and experience revenue; modifying learning and development revenue use; modifying staff development and parental involvement revenue; establishing a state education tax base and levy; modifying core instructional aid; defining support services; modifying local revenue; establishing vocational and applied learning programs; establishing an educational performance improvement grant program; providing for a school referendum income tax; providing for reductions in certain aids to local governments; establishing a youth employer grant program; requiring reports; appropriating money; amending Minnesota Statutes 1994, sections 121.11, subdivision 7c, and by adding a subdivision; 124.2131, subdivision 1; 124A.02, subdivision 3a; 124A.03, subdivisions 2, 3b, and by adding subdivisions; 124A.032; 124A.04, subdivision 2; 124A.225, subdivision 4; 124A.29, subdivision 1; 124A.697; 124A.698; 124A.70, subdivisions 2 and 5; 124A.711, subdivisions 1 and 2; 124A.72; 275.08, subdivision 1b; 290A.04, subdivision 2h; 473F.02, subdivision 5; 477A.013, subdivision 1; and 477A.0132, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 124A; 124C; 126B; 290; and 473F; repealing Minnesota Statutes 1994, sections 124A.70, subdivision 5; and 124A.71; Laws 1993, chapter 224, article 15, section 3, as amended.

Referred to the Committee on Education.

Messrs. Morse, Murphy, Bertram and Sams introduced--

S.F. No. 1398: A bill for an act relating to nonpoint source pollution; modifying the agriculture best management practices loan program and the clean water partnership loan program; amending Minnesota Statutes 1994, sections 17.117, subdivisions 2, 4, 6, 7, 8, 9, 10, 11, 14, 16, and by adding subdivisions; and 103F.725, subdivision 1a.

Referred to the Committee on Agriculture and Rural Development.

Messrs. Morse, Sams, Mses. Runbeck; Johnson, J.B. and Mr. Novak introduced--

S.F. No. 1399: A bill for an act relating to workers' compensation; providing for a pilot project to provide occupational health and safety assistance to small businesses; providing for an evaluation of injury and illness prevention for small businesses; appropriating money.

Referred to the Committee on Jobs, Energy and Community Development.

Mses. Krentz, Pappas, Mr. Janezich and Ms. Reichgott Junge introduced--

S.F. No. 1400: A bill for an act relating to education; providing for interagency services for children with disabilities; providing for a report on certain rules of the state board of education and the commissioner of human services; establishing a training program; appropriating money; amending Minnesota Statutes 1994, sections 120.17, by adding a subdivision; 121.8355, subdivision 2; and 124.323, subdivision 2.

Referred to the Committee on Education.

Mr. Marty introduced--

S.F. No. 1401: A bill for an act relating to the state lottery; prohibiting the lottery from promulgating advertising intended to induce participation in the lottery; prohibiting advertising the lottery as a form of entertainment; reducing the percentage of gross revenues that the lottery may spend on advertising; amending Minnesota Statutes 1994, sections 349A.09, subdivision 2; and 349A.10, subdivision 3.

Referred to the Committee on Gaming Regulation.

Ms. Anderson, Messrs. Riveness, Terwilliger and Metzen introduced--

S.F. No. 1402: A bill for an act relating to state government; asking state employees to submit suggestions to improve the efficiency and effectiveness of state government.

Referred to the Committee on Governmental Operations and Veterans.

Mr. Chandler, Ms. Pappas and Mr. Kroening introduced--

S.F. No. 1403: A bill for an act relating to taxation; requiring a statement regarding state subsidies to businesses on the notice of proposed property taxes; amending Minnesota Statutes 1994, section 275.065, subdivision 3.

Referred to the Committee on Taxes and Tax Laws.

Mr. Solon, Ms. Anderson and Mr. Price introduced--

S.F. No. 1404: A bill for an act relating to insurance; regulating reinsurance intermediaries; providing for the investment of funds held by reinsurance intermediaries; amending Minnesota Statutes 1994, sections 60A.715; and 60A.73, subdivision 4.

Referred to the Committee on Commerce and Consumer Protection.

Mr. Frederickson, Ms. Anderson and Mr. Dille introduced--

S.F. No. 1405: A bill for an act relating to water law; making miscellaneous technical corrections to water law; delegation of permit authority; minimal impact permits; removal of hazardous dams; amending Minnesota Statutes 1994, sections 103F.215, subdivision 1; 103F.221, subdivision 1; 103G.005, subdivision 14; 103G.105; 103G.111, subdivision 1; 103G.121, subdivision 1; 103G.135; 103G.245, subdivisions 3 and 5; 103G.271, subdivision 2; 103G.275, subdivision 1; 103G.295, subdivision 4; 103G.301, subdivision 2; 103G.315, subdivisions 12 and 15; 103G.511, subdivision 12; 103G.515, by adding a subdivision; and 103G.611, subdivision 3.

Referred to the Committee on Environment and Natural Resources.

Messrs. Terwilliger; Riveness; Johnson, D.E.; Spear and Merriam introduced--

S.F. No. 1406: A bill for an act relating to employment; establishing and modifying certain salary limits; amending Minnesota Statutes 1994, sections 3.855, subdivision 3; 15A.083, subdivisions 5, 6a, and 7; and 43A.17, subdivisions 1, 3, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 15A; repealing Minnesota Statutes 1994, sections 15A.081, subdivisions 1, 7, and 7b; and 43A.18, subdivision 5.

Referred to the Committee on Governmental Operations and Veterans.

Mr. Hottinger introduced--

S.F. No. 1407: A bill for an act relating to cooperatives; permitting certain optional voting systems for cooperatives that have other cooperatives as members; amending Minnesota Statutes 1994, sections 308A.131, subdivision 1; 308A.635, subdivision 1; and 308A.641.

Referred to the Committee on Judiciary.

Mses. Runbeck, Hanson, Messrs. Langseth and Belanger introduced--

S.F. No. 1408: A bill for an act relating to drivers' licenses; directing commissioner of public safety to adopt rules governing standards and hearing procedures relating to issuance of limited driver's license; amending Minnesota Statutes 1994, section 171.30, subdivision 1, and by adding a subdivision.

Referred to the Committee on Transportation and Public Transit.

Messrs. Knutson and Dille introduced--

S.F. No. 1409: A bill for an act relating to adoption; providing for release of birth information to adopted persons; amending Minnesota Statutes 1994, section 259.89, subdivisions 1, 4, 5, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 259; repealing Minnesota Statutes 1994, section 259.89, subdivisions 2 and 3.

Referred to the Committee on Judiciary.

Ms. Anderson, Messrs. Hottinger and Solon introduced--

S.F. No. 1410: A bill for an act relating to commerce; real estate; regulating brokers and salespersons; requiring certain radon testing disclosures in connection with the sale of residential real property; amending Minnesota Statutes 1994, section 82.19, by adding a subdivision.

Referred to the Committee on Commerce and Consumer Protection.

Mr. Spear introduced--

S.F. No. 1411: A bill for an act relating to taxation; sales and use; exempting certain charitable organizations from a local sales tax; amending Laws 1986, chapter 400, section 44.

Referred to the Committee on Taxes and Tax Laws.

Mr. Cohen introduced--

S.F. No. 1412: A bill for an act relating to sexual assault; appropriating money to the commissioner of corrections for sexual assault program grants.

Referred to the Committee on Crime Prevention.

Ms. Wiener introduced--

S.F. No. 1413: A bill for an act relating to international trade and tourism; requiring the office of tourism in the department of trade and economic development to devote 20 percent of its budget to development of international tourism; amending Minnesota Statutes 1994, section 116J.615, by adding a subdivision.

Referred to the Committee on Jobs, Energy and Community Development.

Messrs. Stevens, Frederickson, Vickerman, Dille and Bertram introduced--

S.F. No. 1414: A bill for an act relating to agriculture; changing provisions governing ethanol payments; appropriating money; amending Minnesota Statutes 1994, sections 41A.09, subdivision 6, and by adding subdivisions; and 296.02, by adding a subdivision; repealing Minnesota Statutes 1994, sections 41A.09, subdivisions 2, 3, and 5; and 296.02, subdivision 7.

Referred to the Committee on Agriculture and Rural Development.

Messrs. Dille, Janezich and Stevens introduced--

S.F. No. 1415: A bill for an act relating to health; modifying requirements for X-ray machines used in the practice of veterinary medicine; amending Minnesota Statutes 1994, section 144.121, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 144.

Referred to the Committee on Health Care.

Mr. Kroening, Ms. Pappas, Messrs. Chandler, Cohen and Ms. Flynn introduced--

S.F. No. 1416: A bill for an act relating to taxation; corporate franchise tax; imposing a differential tax rate on banks; amending Minnesota Statutes 1994, sections 290.06, subdivision 1; and 290.62.

Referred to the Committee on Taxes and Tax Laws.

MOTIONS AND RESOLUTIONS - CONTINUED**SUSPENSION OF RULES**

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the Consent Calendar and that the rules of the Senate be so far suspended as to waive the lie-over requirement. The motion prevailed.

CONSENT CALENDAR

S.F. No. 1099: A bill for an act relating to elections; permitting election judges to serve outside the county where they reside in certain cases; amending Minnesota Statutes 1994, section 204B.19, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Krentz	Murphy	Sams
Beckman	Hanson	Kroening	Neuville	Samuelson
Belanger	Hottinger	Laidig	Oliver	Scheevel
Berg	Johnson, D.E.	Langseth	Olson	Solon
Berglin	Johnson, D.J.	Larson	Ourada	Spear
Bertram	Johnson, J.B.	Lesewski	Pappas	Stevens
Betzold	Johnston	Lessard	Pariseau	Stumpf
Chandler	Kelly	Limmer	Piper	Terwilliger
Chmielewski	Kiscaden	Marty	Price	Vickerman
Cohen	Kleis	Merriam	Ranum	Wiener
Finn	Knutson	Moe, R.D.	Robertson	
Flynn	Kramer	Morse	Runbeck	

So the bill passed and its title was agreed to.

H.F. No. 654: A bill for an act relating to towns; clarifying authority of town board to alter or vacate town roads dedicated by plat; clarifying procedures; amending Minnesota Statutes 1994, sections 164.06, subdivision 1; and 164.07, subdivision 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Hanson	Kroening	Neuville	Samuelson
Beckman	Hottinger	Laidig	Oliver	Scheevel
Belanger	Janezich	Langseth	Olson	Solon
Berg	Johnson, D.E.	Larson	Ourada	Spear
Berglin	Johnson, D.J.	Lesewski	Pappas	Stevens
Bertram	Johnson, J.B.	Lessard	Pariseau	Stumpf
Betzold	Johnston	Limmer	Piper	Terwilliger
Chandler	Kelly	Marty	Price	Vickerman
Chmielewski	Kiscaden	Merriam	Ranum	Wiener
Cohen	Kleis	Metzen	Reichgott Junge	
Finn	Knutson	Moe, R.D.	Robertson	
Flynn	Kramer	Morse	Runbeck	
Frederickson	Krentz	Murphy	Sams	

So the bill passed and its title was agreed to.

S.F. No. 856: A bill for an act relating to Dakota county; assigning to the county administrator the duties of the clerk of the county board; proposing coding for new law in Minnesota Statutes, chapter 383D.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Krentz	Murphy	Sams
Beckman	Hanson	Kroening	Neuville	Samuelson
Belanger	Hottinger	Laidig	Oliver	Scheevel
Berg	Janezich	Langseth	Olson	Solon
Berglin	Johnson, D.E.	Larson	Ourada	Spear
Bertram	Johnson, D.J.	Lesewski	Pappas	Stevens
Betzold	Johnson, J.B.	Lessard	Pariseau	Stumpf
Chandler	Johnston	Limmer	Piper	Terwilliger
Chmielewski	Kelly	Marty	Price	Vickerman
Cohen	Kiscaden	Merriam	Ranum	Wiener
Dille	Kleis	Metzen	Reichgott Junge	
Finn	Knutson	Moe, R.D.	Robertson	
Flynn	Kramer	Morse	Runbeck	

So the bill passed and its title was agreed to.

S.F. No. 953: A bill for an act relating to the city of Duluth; modifying the area in which a special service district may be created; amending Laws 1993, chapter 375, article 5, section 40, subdivision 3.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Flynn	Knutson	Metzen	Reichgott Junge
Beckman	Frederickson	Kramer	Moe, R.D.	Robertson
Belanger	Hanson	Krentz	Morse	Sams
Berg	Hottinger	Kroening	Murphy	Samuelson
Berglin	Janezich	Laidig	Neuville	Scheevel
Bertram	Johnson, D.E.	Langseth	Oliver	Solon
Betzold	Johnson, D.J.	Larson	Olson	Spear
Chandler	Johnson, J.B.	Lesewski	Ourada	Stevens
Chmielewski	Johnston	Lessard	Pariseau	Stumpf
Cohen	Kelly	Limmer	Piper	Terwilliger
Dille	Kiscaden	Marty	Price	Vickerman
Finn	Kleis	Merriam	Ranum	Wiener

So the bill passed and its title was agreed to.

S.F. No. 1176: A bill for an act relating to utilities; providing that Sleepy Eye need not provide notice to the commissioner of trade and economic development before discontinuing steam heating operations.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Flynn	Knutson	Metzen	Reichgott Junge
Beckman	Frederickson	Kramer	Moe, R.D.	Robertson
Belanger	Hanson	Krentz	Morse	Runbeck
Berg	Hottinger	Kroening	Murphy	Sams
Berglin	Janezich	Laidig	Neuville	Samuelson
Bertram	Johnson, D.E.	Langseth	Oliver	Scheevel
Betzold	Johnson, D.J.	Larson	Olson	Solon
Chandler	Johnson, J.B.	Lesewski	Ourada	Spear
Chmielewski	Johnston	Lessard	Pariseau	Stevens
Cohen	Kelly	Limmer	Piper	Stumpf
Dille	Kiscaden	Marty	Price	Vickerman
Finn	Kleis	Merriam	Ranum	Wiener

So the bill passed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated S.F. No. 302 a Special Order to be heard immediately.

SPECIAL ORDER

S.F. No. 302: A bill for an act relating to employment; increasing the minimum wage; amending Minnesota Statutes 1994, section 177.24, subdivision 1.

Mr. Kelly moved to amend S.F. No. 302 as follows:

Page 2, lines 1, 3, 7, and 9, delete "on or"

The motion prevailed. So the amendment was adopted.

Mr. Neuville moved to amend S.F. No. 302 as follows:

Page 1, lines 23 to 25, delete the new language and insert ", and at least \$6 an hour beginning October 1, 1995"

Page 2, lines 1 to 3, delete the new language

Page 2, lines 5 to 9, delete the new language and insert ", and at least \$5.75 an hour beginning October 1, 1995"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 18 and nays 45, as follows:

Those who voted in the affirmative were:

Anderson	Flynn	Kroening	Pappas	Samuelson
Berglin	Hanson	Marty	Piper	Spear
Betzold	Johnson, J.B.	Merriam	Pogemiller	
Cohen	Kelly	Novak	Ranum	

Those who voted in the negative were:

Beckman	Johnson, D.E.	Langseth	Neuville	Runbeck
Belanger	Johnson, D.J.	Larson	Oliver	Sams
Bertram	Johnston	Lesewski	Olson	Scheevel
Chandler	Kiscaden	Lessard	Ourada	Solon
Chmielewski	Kleis	Limmer	Pariseau	Stevens
Dille	Knutson	Metzen	Price	Stumpf
Finn	Kramer	Moe, R.D.	Reichgott Junge	Terwilliger
Frederickson	Krentz	Morse	Riveness	Vickerman
Hottinger	Laidig	Murphy	Robertson	Wiener

The motion did not prevail. So the amendment was not adopted.

Mr. Sams moved that S.F. No. 302 be laid on the table.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 33 and nays 32, as follows:

Those who voted in the affirmative were:

Beckman	Johnson, D.E.	Langseth	Oliver	Scheevel
Belanger	Johnston	Larson	Olson	Stevens
Berg	Kiscaden	Lesewski	Ourada	Stumpf
Bertram	Kleis	Lessard	Pariseau	Terwilliger
Dille	Knutson	Limmer	Robertson	Vickerman
Frederickson	Kramer	Morse	Runbeck	
Hottinger	Laidig	Neuville	Sams	

Those who voted in the negative were:

Anderson	Flynn	Kroening	Pappas	Samuelson
Berglin	Hanson	Marty	Piper	Solon
Betzold	Janezich	Merriam	Pogemiller	Spear
Chandler	Johnson, D.J.	Metzen	Price	Wiener
Chmielewski	Johnson, J.B.	Moe, R.D.	Ranum	
Cohen	Kelly	Murphy	Reichgott Junge	
Finn	Krentz	Novak	Riveness	

The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate revert to the Orders of Business of Reports of Committees and Second Reading of Senate Bills. The motion prevailed.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Mr. Chmielewski from the Committee on Transportation and Public Transit, to which was referred

S.F. No. 1097: A bill for an act relating to transportation; authorizing cities, counties, and transit commissions and authorities outside the metropolitan area to provide certain paratransit outside their service areas; requiring such service to be under contract; amending Minnesota Statutes 1994, section 174.24, by adding a subdivision.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Chmielewski from the Committee on Transportation and Public Transit, to which was referred

S.F. No. 371: A bill for an act relating to transportation; abolishing certain restrictions relating to highway construction; amending Minnesota Statutes 1994, sections 161.1231, subdivision 1; and 473.391; repealing Minnesota Statutes 1994, sections 161.123; and 161.124.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was re-referred

S.F. No. 902: A bill for an act relating to taxation; providing for property taxation for certain wind energy conversion systems; permitting the recovery through rates of certain payments; amending Minnesota Statutes 1994, sections 216B.16, by adding a subdivision; 272.02, subdivision 1; and 273.37, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, delete lines 12 to 15 and insert "shall permit a public utility that is purchasing electricity produced by a wind energy conversion system installed after June 1, 1995, and before January 1, 1997, to recover in its rates payments made by the public utility to the system owner or developer for property taxes paid on the system."

Page 8, line 9, delete "and any supporting or"

Page 8, line 10, delete "protective structures"

Page 8, line 12, after "energy" insert "and any supporting or protective structures"

And when so amended the bill do pass and be re-referred to the Committee on Taxes and Tax Laws. Amendments adopted. Report adopted.

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was re-referred

S.F. No. 637: A bill for an act relating to taxation; providing for the taxation of wind energy conversion systems; amending Minnesota Statutes 1994, sections 272.02, subdivision 1; and 273.37, by adding a subdivision.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 6, insert:

"Section 1. Minnesota Statutes 1994, section 216B.16, is amended by adding a subdivision to read:

Subd. 6d. [WIND ENERGY; PROPERTY TAX.] The commission shall permit a public utility that is purchasing electricity produced by a wind energy conversion system installed after June 1, 1991, and before January 1, 1995, to recover in its rates payments made by the public utility to the system owner or developer for property taxes paid on the system."

Page 10, line 18, delete "1 and 2" and insert "2 and 3"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, after the semicolon, insert "permitting the recovery through rates of certain payments;"

Page 1, line 4, after "sections" insert "216B.16, by adding a subdivision;"

And when so amended the bill be re-referred to the Committee on Taxes and Tax Laws without recommendation. Amendments adopted. Report adopted.

Mr. Bertram from the Committee on Agriculture and Rural Development, to which was referred

S.F. No. 739: A bill for an act relating to agriculture; changing certain procedures for compensating crop owners for damage by elk; amending Minnesota Statute 1994, section 3.7371, subdivision 3.

Reports the same back with the recommendation that the bill do pass and be placed on the Consent Calendar. Report adopted.

Mr. Bertram from the Committee on Agriculture and Rural Development, to which was referred

S.F. No. 839: A bill for an act relating to agriculture; changing certain pesticide dealer requirements; changing expiration of pesticide applicator certifications; requiring consideration of passive bioremediation in certain cases; amending Minnesota Statutes 1994, sections 18B.31; 18B.36, subdivision 2; and 18D.105, subdivision 3a.

Reports the same back with the recommendation that the bill be amended as follows:

Page 3, line 25, delete "August" and insert "March"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Bertram from the Committee on Agriculture and Rural Development, to which was referred

S.F. No. 738: A bill for an act relating to agriculture; providing for uniformity with certain federal food standards; amending Minnesota Statutes 1994, section 31.101, subdivision 9, and by adding subdivisions.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, delete line 23

Page 2, line 5, delete everything after the period

Page 2, delete line 6

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Solon from the Committee on Commerce and Consumer Protection, to which was referred

S.F. No. 1134: A bill for an act relating to financial institutions; regulating notices, electronic financial terminals, mergers with subsidiaries, the powers and duties of the commissioner of commerce, reporting and records requirements, lending powers, data classification, the powers and duties of institutions, detached facilities, and interstate banking; making technical changes; amending Minnesota Statutes 1994, sections 46.04, subdivision 1, and by adding a subdivision;

46.041, subdivisions 1, 2, and 4; 46.044, subdivision 1; 46.046, subdivision 1; 46.048, subdivision 1, and by adding subdivisions; 47.10, subdivision 3; 47.11; 47.28, subdivision 1; 47.52; 47.54, subdivisions 1 and 2; 47.56; 47.58, subdivision 2; 47.62, subdivisions 2, 3, and by adding subdivisions; 47.67; 47.69, subdivisions 3 and 5; 47.78; 48.194; 48.24, subdivision 5; 48.475, subdivision 3; 48.48, subdivisions 1 and 2; 48.49; 48.61, by adding a subdivision; 48.65; 48.90, subdivision 1; 48.91; 48.92, subdivisions 1, 2, 6, 7, 8, 9, and by adding a subdivision; 48.93, subdivisions 1, 3, and 4; 48.96; 48.99, subdivision 1; 49.01, subdivision 3; 51A.02, subdivision 26; 51A.19, subdivision 9; 51A.50; 51A.58; 52.01; 52.04, subdivision 2a; 52.05, subdivision 2; 52.21; 53.015, subdivision 4; 53.04, subdivisions 3a, 3c, 4a, and 5a; 53.09, subdivision 1, and by adding a subdivision; 56.11; 56.12; 56.125, subdivision 2; 56.131, subdivisions 1, 2, 4, and 6; 56.132; 56.14; 56.155, subdivision 1; 56.17; 59A.06, subdivision 2; 62B.04, subdivision 1; 300.20, subdivision 1; 325F.91, subdivision 2; and 332.23, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 45; 47; 48; and 51A; repealing Minnesota Statutes 1994, sections 46.03; 47.80; 47.81; 47.82; 47.83; 47.84; 47.85; 48.1585; 48.512, subdivision 6; 48.611; 48.95; 48.97; 48.98; 48.991; 51A.385; and 325F.91, subdivision 2.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

FINANCIAL INSTITUTIONS TECHNICAL CORRECTIONS

Section 1. [45.014] [SEAL OF DEPARTMENT OF COMMERCE.]

The commissioner of commerce shall devise a seal for official use as the seal of the department of commerce. The seal must be capable of being legibly reproduced under photographic methods. A description of the seal, and a copy of it, must be filed in the office of the secretary of state.

Sec. 2. Minnesota Statutes 1994, section 46.04, subdivision 1, is amended to read:

Subdivision 1. The commissioner of commerce, referred to in chapters 46 to 59 59A, and sections 332.12 to 332.29, as the commissioner, is vested with all the powers, authority, and privileges which, prior to the enactment of Laws 1909, chapter 201, were conferred by law upon the public examiner, and shall take over all duties in relation to state banks, savings banks, trust companies, savings associations, and other financial institutions within the state which, prior to the enactment of chapter 201, were imposed upon the public examiner. The commissioner of commerce shall exercise a constant supervision, either personally or through the examiners herein provided for, over the books and affairs of all state banks, savings banks, trust companies, savings associations, credit unions, industrial loan and thrift companies, and other financial institutions doing business within this state; and shall, through examiners, examine each financial institution at least once every 18 calendar months. In satisfying this examination requirement, the commissioner may accept reports of examination prepared by a federal agency having comparable supervisory powers and examination procedures. With the exception of industrial loan and thrift companies which do not have deposit liabilities and licensed regulated lenders, it shall be the principal purpose of these examinations to inspect and verify the assets and liabilities of each and so far investigate the character and value of the assets of each institution as to determine with reasonable certainty that the values are correctly carried on its books. Assets and liabilities shall be verified in accordance with methods of procedure which the commissioner may determine to be adequate to carry out the intentions of this section. It shall be the further purpose of these examinations to assess the adequacy of capital protection and the capacity of the institution to meet usual and reasonably anticipated deposit withdrawals and other cash commitments without resorting to excessive borrowing or sale of assets at a significant loss, and to investigate each institution's compliance with applicable laws and rules. Based on the examination findings, the commissioner shall make a determination as to whether the institution is being operated in a safe and sound manner. None of the above provisions limits the commissioner in making additional examinations as deemed necessary or advisable. The commissioner shall investigate the methods of operation and conduct of these institutions and their systems of accounting, to ascertain whether these methods and systems are in accordance with law and sound banking principles. The commissioner may make requirements as to records as deemed necessary to facilitate the carrying out of the commissioner's duties and to properly protect the public interest. The commissioner may examine,

or cause to be examined by these examiners, on oath, any officer, director, trustee, owner, agent, clerk, customer, or depositor of any financial institution touching the affairs and business thereof, and may issue, or cause to be issued by the examiners, subpoenas, and administer, or cause to be administered by the examiners, oaths. In case of any refusal to obey any subpoena issued under the commissioner's direction, the refusal may at once be reported to the district court of the district in which the bank or other financial institution is located, and this court shall enforce obedience to these subpoenas in the manner provided by law for enforcing obedience to subpoenas of the court. In all matters relating to official duties, the commissioner of commerce has the power possessed by courts of law to issue subpoenas and cause them to be served and enforced, and all officers, directors, trustees, and employees of state banks, savings banks, trust companies, savings associations, and other financial institutions within the state, and all persons having dealings with or knowledge of the affairs or methods of these institutions, shall afford reasonable facilities for these examinations, make returns and reports to the commissioner of commerce as the commissioner may require; attend and answer, under oath, the commissioner's lawful inquiries; produce and exhibit any books, accounts, documents, and property as the commissioner may desire to inspect, and in all things aid the commissioner in the performance of duties.

Sec. 3. Minnesota Statutes 1994, section 46.041, subdivision 4, is amended to read:

Subd. 4. [HEARING.] In any case in which the commissioner grants a request for a hearing or makes the independent determination that a hearing is warranted on the basis of the conditions in subdivision 3, the commissioner shall fix a time for a hearing conducted pursuant to chapter 14 to decide whether or not the application will be granted. A notice of the hearing must be published by the applicant in the form prescribed by the commissioner in a newspaper published in the municipality in which the proposed bank is to be located, and if there is no such newspaper, then ~~at the county seat of the county~~ in a qualified newspaper likely to give notice in the municipality in which the bank is proposed to be located. The notice must be published once, at the expense of the applicants, not less than 30 days prior to the date of the hearing. At the hearing the commissioner shall consider the application and hear the applicants and witnesses that appear in favor of or against the granting of the application of the proposed bank. If an application is contested, 50 percent of an additional fee equal to the actual costs incurred by the department of commerce in approving or disapproving the application, payable to the department of commerce to be deposited in the general fund, must be paid by the applicant and 50 percent equally by the intervening parties.

Sec. 4. Minnesota Statutes 1994, section 46.046, subdivision 1, is amended to read:

Subdivision 1. [WORDS, TERMS, AND PHRASES.] Unless the language or context clearly indicates that a different meaning is intended, the word defined in subdivision 2, for the purposes of sections 46.041 to 46.044, shall be given the meaning subjoined to it; and the word defined in subdivision 3, for the purposes of chapters 46 to ~~77~~ 83, shall be given the meaning subjoined to it.

Sec. 5. Minnesota Statutes 1994, section 47.11, is amended to read:

47.11 [SELECTION OF NAME.]

Before execution of the certificate of incorporation of any such corporation or conduct of business under an assumed name, its proposed name or proposed assumed name shall be submitted to the commissioner of commerce, who shall compare it with those of corporations operating in the state, and if it is likely to be mistaken for any of them, or to confuse the public as to the character of its business, or is otherwise objectionable, additional names shall be submitted until a satisfactory one is selected, whereupon the commissioner shall issue a certificate of approval thereof.

Sec. 6. Minnesota Statutes 1994, section 47.28, subdivision 1, is amended to read:

Subdivision 1. Any savings bank organized and existing under and by virtue 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, 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 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~~ chapter 51A.

Sec. 7. Minnesota Statutes 1994, section 47.58, subdivision 2, is amended to read:

Subd. 2. [AUTHORIZATION.] Pursuant to rules which the commissioner of commerce ~~or commissioner of insurance~~ may find to be necessary and proper, if any, and subject to federal laws and regulations, lenders may make investments in reverse mortgage loans and purchases of obligations representing reverse mortgage loans, provided the aggregate total of committed principal of the investment in reverse mortgage loans by any bank, savings bank, or savings and loan association, does not exceed five percent of that lender's total deposits and savings accounts. This limitation shall be determined at each June 30 and December 31 for the following six-month period. Any decline in the total of deposits and savings accounts subsequent to a determination may be disregarded. Security for loans made under this section shall be a first lien on residential property (a) which the borrower occupies as principal residence and which qualifies for homestead classification pursuant to section 273.13, and (b) to which the borrower alone has title.

Sec. 8. Minnesota Statutes 1994, section 47.62, subdivision 3, is amended to read:

Subd. 3. Application for authorization shall be made in the manner prescribed by rule. The commissioner shall grant authorization for the establishment of an electronic financial terminal if the commissioner finds that:

- (a) There is reason to believe that the terminal will be properly and safely managed;
- (b) The applicant is financially sound;
- (c) The proposed charges for making the services of the terminal available to financial institutions are fair, equitable, and nondiscriminatory;
- (d) The applicant has furnished all of the information required by rule;
- (e) The terminal applicant will not gain an unfair competitive advantage because the terminal is not operationally available to other financial institutions or their data processors within a reasonable period of time; ~~and,~~
- ~~(f) The location and placement of the electronic financial terminal is not designed to give or promote an unfair competitive advantage to any financial institution.~~

If the commissioner has not denied the application within 45 days of its submission, the authorization shall be deemed to be granted.

Sec. 9. Minnesota Statutes 1994, section 48.475, subdivision 3, is amended to read:

Subd. 3. [GENERAL REQUIREMENTS.] If the bank at which a trust service office is to be established has exercised trust powers, then the trust company or bank which is establishing the trust service office shall enter into an agreement respecting those fiduciary powers to which the trust company or bank shall succeed and shall file the agreement with the commissioner. The trust company or bank which is establishing a trust service office under subdivision 1 shall publish a notice of the filing in the form prescribed by the commissioner in a newspaper published in the municipality in which the trust service office is to be located, and if there is no such newspaper, ~~then at the county seat of the county in which the trust service office is to be located. The notice shall be published once in a qualified newspaper in the municipality in which the proposed trust service office is to be located, and if there is no such newspaper, then in a qualified newspaper likely to give notice in the municipality in which the proposed trust service office is to be located,~~

and proof of publication shall be filed with the commissioner immediately after publication of the notice of filing. After filing and publication, the trust company or bank establishing the trust service office shall, as of the date the office first opens for business, and without further authorization of any kind, succeed to and be substituted for the bank at which the trust service office is located as to all fiduciary powers, rights, duties, privileges, and liabilities of the bank in its capacity as fiduciary for all estates, trusts, conservatorships, guardianships, and other fiduciary relationships of which the bank is then serving as fiduciary, except as may be otherwise specified in the agreement between the bank and the trust company or bank which has established the trust service office. The trust company or bank which has established the trust service office shall also be deemed named as fiduciary in all writings, including, but not limited to, wills, trusts, court orders, and similar documents and instruments, naming the bank at which the trust service office is located signed before the date the trust service office first opens for business, unless expressly negated by the writing or otherwise specified in the agreement between the trust company or bank and the bank at which the trust service office is located. On the effective date of the substitution, the bank at which the trust service office has been established shall be released and absolved from all fiduciary duties and obligations under the writings and shall discontinue its exercise of trust powers on all matters not specifically retained by the agreement. This subdivision does not absolve the bank from liabilities arising out of any breach of fiduciary duty or obligation occurring prior to the date the trust service office first opens for business. This subdivision does not affect the authority, duties, or obligations of a bank with respect to relationships which may be established without trust powers, whether the relationships arise before or after the establishment of the trust service office.

Sec. 10. Minnesota Statutes 1994, section 48.61, is amended by adding a subdivision to read:

Subd. 9. [MERGER WITH SUBSIDIARIES; AUTHORITY.] (a) Notwithstanding any other law to the contrary, a bank may merge a subsidiary authorized and established according to this section into itself if it owns 100 percent of the outstanding voting stock.

(b) A merger of a subsidiary authorized by subdivision 1 must conform to the procedures in section 302A.621.

(c) Before filing the articles of merger with the secretary of state, the merger plan must be filed with and approved in writing by the commissioner who shall determine that:

(1) the provisions of section 302A.621 are followed; and

(2) the merger will not have an undue adverse effect on the safety and soundness of the bank.

Sec. 11. Minnesota Statutes 1994, section 48.65, is amended to read:

48.65 [TRUST COMPANIES TO COMPLY WITH CERTAIN LAWS.]

No trust company of this state shall conduct a banking business, as defined in section 47.02, without fully complying with the provisions of section ~~48.22~~ 48.221 relating to the reserve requirements of the state banks.

Sec. 12. Minnesota Statutes 1994, section 48.92, subdivision 1, is amended to read:

Subdivision 1. [TERMS.] When used in sections 48.90 to ~~48.991~~ 48.99, the terms defined in this section have the meanings given them, unless their context requires a different meaning.

Sec. 13. Minnesota Statutes 1994, section 49.01, subdivision 3, is amended to read:

Subd. 3. [INVESTMENT COMPANY.] "Investment company" means any person, copartnership, association, or corporation referred to in sections 54.26 to ~~54.29~~ 54.297.

Sec. 14. Minnesota Statutes 1994, section 51A.58, is amended to read:

51A.58 [INTERSTATE BRANCHING.]

An association, whether or not the subsidiary of a savings and loan holding company, may, by acquisition, merger, purchase and assumption of some or all of the assets and liabilities, or

consolidation, establish or operate branch offices in any reciprocating state, and a savings and loan association chartered in any reciprocating state may establish or operate branch offices in this state by acquisition, merger, purchase, and assumption of some or all of the assets or liabilities or consolidation. A savings and loan holding company with its headquarters in this state may acquire by direct or indirect ownership or control the voting shares of a savings and loan holding company, savings and loan association, or savings bank located in any reciprocating state, and a savings and loan holding company with its headquarters in a reciprocating state, may acquire by direct or indirect ownership or control the voting shares of a savings and loan holding company, a savings and loan association, or savings bank located in this state, and may acquire and merge with a savings and loan holding company with its headquarters in this state. For the purposes of this section, "reciprocating state" is a state that authorizes the establishment of branch offices in that state by an association located in this state, and the acquisition of savings and loan associations and savings banks located in that state by a savings and loan holding company with its headquarters in this state, under conditions no more restrictive than those imposed by the laws of Minnesota as determined by the commissioner of commerce.

The commissioner of commerce shall adopt rules to provide that procedural requirements equivalent to those contained in sections 48.90 to 48.99~~1~~ 48.99 apply to reciprocal interstate branching and acquisitions by savings and loan associations.

Sec. 15. Minnesota Statutes 1994, section 53.04, subdivision 3a, is amended to read:

Subd. 3a. (a) The right to make loans, secured or unsecured, at the rates and on the terms and other conditions permitted licensees under chapter 56. Loans made under the authority of section 56.125 must be in amounts in compliance with section 53.05, clause (7). All other loans made under the authority of chapter 56 must be in amounts in compliance with section 53.05, clause (7), or 56.131, subdivision 1, paragraph (a), whichever is less. The right to extend credit or lend money and to collect and receive charges therefor as provided by chapter 334, or in lieu thereof to charge, collect, and receive interest at the rate of 21.75 percent per annum, including the right to contract for, charge, and collect all other charges including discount points, fees, late payment charges, and insurance premiums on the loans to the same extent permitted on loans made under the authority of chapter 56, regardless of the amount of the loan. The provisions of sections 47.20 and 47.21 do not apply to loans made under this subdivision, except as specifically provided in this subdivision. Nothing in this subdivision is deemed to supersede, repeal, or amend any provision of section 53.05. A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.

(b) Loans made under this subdivision at a rate of interest not in excess of that provided for in paragraph (a) may be secured by real or personal property, or both. If the proceeds of a loan secured by a first lien on the borrower's primary residence are used to finance the purchase of the borrower's primary residence, the loan must comply with the provisions of section 47.20.

(c) A loan made under this subdivision that is secured by real estate and that is in a principal amount of ~~\$7,500~~ \$12,000 or more and a maturity of 60 months or more may contain a provision permitting discount points, if the loan does not provide a loan yield in excess of the maximum rate of interest permitted by this subdivision. Loan yield means the annual rate of return obtained by a licensee computed as the annual percentage rate is computed under Federal Regulation Z. If the loan is prepaid in full, the licensee must make a refund to the borrower to the extent that the loan yield will exceed the maximum rate of interest provided by this subdivision when the prepayment is taken into account.

(d) An agency or instrumentality of the United States government or a corporation otherwise created by an act of the United States Congress or a lender 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, that engages in the business of purchasing or taking assignments of mortgage loans and undertakes direct collection of payments from or enforcement of rights against borrowers arising from mortgage loans, is not required to obtain a certificate of authorization under this chapter in order to purchase or take assignments of mortgage loans from persons holding a certificate of authorization under this chapter.

Sec. 16. Minnesota Statutes 1994, section 53.09, subdivision 1, is amended to read:

Subdivision 1. [FREQUENCY AND EXPENSE.] The commissioner shall make examinations for the purposes set forth in section 46.04, subdivision 1, at least once every 18 calendar months, of each authorized place of business of every industrial loan and thrift company with the right to issue thrift certificates for investment organized or operating under this chapter to satisfy the commissioner that the corporation is in a solvent condition and is complying with the requirements of this chapter and operating according to sound business principles. In order to enforce actions in this connection, the commissioner is hereby vested with the same authority as in the examination and regulation of state banks. The corporation so examined shall pay to the commissioner such fees as may be required under section 46.131. The commissioner may maintain an action for the recovery of such costs in any court of competent jurisdiction.

Sec. 17. Minnesota Statutes 1994, section 53.09, subdivision 2, is amended to read:

Subd. 2. [REPORT TO COMMISSIONER.] (1) Each industrial loan and thrift company shall annually on or before the first day of ~~February~~ March file a report with the commissioner stating in detail, under appropriate heads, its assets and liabilities at the close of business on the last day of the preceding calendar year. This report shall be made under oath in the form prescribed by the commissioner.

(2) Each industrial loan and thrift company which holds authority to accept accounts pursuant to section 53.04, subdivision 5, shall in place of the requirement in clause (1) submit the reports and make the publication required of state banks pursuant to section 48.48.

(3) Within 30 days following a change in controlling ownership of the capital stock of an industrial loan and thrift company, it shall file a written report with the commissioner stating in detail the nature of such change in ownership.

Sec. 18. Minnesota Statutes 1994, section 53.09, is amended by adding a subdivision to read:

Subd. 2a. [COMPLIANCE EXAMINATIONS.] For the purpose of discovering violations of this chapter or securing information lawfully required by the commissioner under this chapter, the commissioner may, at any time, either personally or by a person or persons duly designated, investigate the loans and business, and examine the books, accounts, records, and files used in the business, of every licensee and of every person engaged in the business whether or not the person acts or claims to act as principal or agent, or under the authority of this chapter. For the purposes of this subdivision, the commissioner and duly designated representatives have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all these persons. The commissioner and all persons duly designated may require the attendance of and examine, under oath, all persons whose testimony the commissioner may require relative to the loans or business or to the subject matter of an examination, investigation, or hearing.

Each licensee shall pay to the commissioner the amount required under section 46.131, and the commissioner may maintain an action for the recovery of the costs in a court of competent jurisdiction.

Sec. 19. Minnesota Statutes 1994, section 56.11, is amended to read:

56.11 [BOOKS OF ACCOUNT; ANNUAL REPORT.]

The licensee shall keep and use in the licensee's business such books, accounts, and records as will enable the commissioner to determine whether the licensee is complying with the provisions of this chapter and with the rules lawfully made by the commissioner hereunder. Every licensee shall preserve such books, accounts, and records, including cards used in the card system, if any, for at least two years after making the final entry on any loan recorded therein. Accounting systems maintained in whole or in part by mechanical or electronic data processing methods which provide information equivalent to that otherwise required are acceptable for this purpose.

Each licensee shall annually on or before the ~~fifteenth day of March, except in odd-numbered years and then on or before the seventh~~ first day of ~~February~~ March, file a report with the commissioner giving such relevant information as the commissioner reasonably may require concerning the business and operations during the preceding calendar year of each licensed place

of business, conducted by such licensee within the state. Such report shall be made under oath and shall be in the form prescribed by the commissioner, who shall make and publish annually an analysis and recapitulation of such reports.

Sec. 20. Minnesota Statutes 1994, section 56.12, is amended to read:

56.12 [ADVERTISING; TAKING OF SECURITY; PLACE OF BUSINESS.]

No licensee shall advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast, in any manner any statement or representation with regard to the rates, terms, or conditions for the lending of money, credit, goods, or things in action which is false, misleading, or deceptive. The commissioner may order any licensee to desist from any conduct which the commissioner shall find to be a violation of the foregoing provisions.

The commissioner may require that rates of charge, if stated by a licensee, be stated fully and clearly in such manner as the commissioner may deem necessary to prevent misunderstanding thereof by prospective borrowers. In lieu of the disclosure requirements of this section and section 56.14, a licensee may give the disclosures required by the federal Truth-in-Lending Act.

A licensee may take a lien upon real estate as security for any loan exceeding ~~\$2,700~~ \$4,320 in principal amount made under this chapter. The provisions of sections 47.20 and 47.21 do not apply to loans made under this chapter, except as provided in this section. No loan secured by a first lien on a borrower's primary residence shall be made pursuant to this section if the proceeds of the loan are used to finance the purchase of the borrower's primary residence, unless:

- (1) the proceeds of the loan are used to finance the purchase of a manufactured home or a prefabricated building; or
- (2) the proceeds of the loan are used in whole or in part to satisfy the balance owed on a contract for deed.

If the proceeds of the loan are used to finance the purchase of the borrower's primary residence, the licensee shall consent to the subsequent transfer of the real estate if the existing borrower continues after transfer to be obligated for repayment of the entire remaining indebtedness. The licensee shall release the existing borrower from all obligations under the loan instruments, if the transferee (1) meets the standards of credit worthiness normally used by persons in the business of making loans, including but not limited to the ability of the transferee to make the loan payments and satisfactorily maintain the property used as collateral, and (2) executes an agreement in writing with the licensee whereby the transferee assumes the obligations of the existing borrower under the loan instruments. Any such agreement shall not affect the priority, validity or enforceability of any loan instrument. A licensee may charge a fee not in excess of one-tenth of one percent of the remaining unpaid principal balance in the event the loan is assumed by the transferee and the existing borrower continues after the transfer to be obligated for repayment of the entire assumed indebtedness. A licensee may charge a fee not in excess of one percent of the remaining unpaid principal balance in the event the remaining indebtedness is assumed by the transferee and the existing borrower is released from all obligations under the loan instruments, but in no event shall the fee exceed ~~\$150~~ \$240.

A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.

No licensee shall conduct the business of making loans under this chapter within any office, room, or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, if the commissioner finds that the character of the other business is such that it would facilitate evasions of this chapter or of the rules lawfully made hereunder. The commissioner may promulgate rules dealing with such other businesses.

No licensee shall transact the business or make any loan provided for by this chapter under any other name or at any other place of business than that named in the license. No licensee shall take any confession of judgment or any power of attorney. No licensee shall take any note or promise to pay that does not accurately disclose the principal amount of the loan, the time for which it is

made, and the agreed rate or amount of charge, nor any instrument in which blanks are left to be filled in after execution. Nothing herein is deemed to prohibit the making of loans by mail or arranging for settlement and closing of real estate secured loans by an unrelated qualified closing agent at a location other than the licensed location.

Sec. 21. Minnesota Statutes 1994, section 56.125, subdivision 2, is amended to read:

Subd. 2. [REAL ESTATE AS SECURITY.] A licensee may take a lien upon real estate as security for any open-end loan at or after such time as the outstanding balance first exceeds ~~\$2,700~~ \$4,320. A subsequent reduction in the balance below ~~\$2,700~~ \$4,320 has no effect on the lien. A licensee may retain the security interest until it terminates the open-end account. If there is no outstanding balance in the account and there is no commitment by the licensee to a line of credit in excess of ~~\$2,700~~ \$4,320, the licensee shall, within 20 days following written demand by the borrower, deliver to the borrower a release of the mortgage on any real property taken as security for the open-end loan agreement. A real estate mortgage authorized for a financial institution secures all advances and obligations thereunder from the date of recording.

Sec. 22. Minnesota Statutes 1994, section 56.131, subdivision 1, is amended to read:

Subdivision 1. [INTEREST RATES AND CHARGES.] (a) On any loan in a principal amount not exceeding ~~\$35,000~~ \$56,000 or 15 percent of a Minnesota corporate licensee's capital stock and surplus as defined in section 53.015, if greater, a licensee may contract for and receive interest, calculated according to the actuarial method, not exceeding the equivalent of the greater of any of the following:

(1) the total of: (i) 33 percent per year on that part of the unpaid balance of the principal amount not exceeding \$750; and (ii) 19 percent per year on that part of the unpaid balance of the principal amount exceeding \$750; or

(2) 21.75 percent per year on the unpaid balance of the principal amount.

(b) On any loan where interest has been calculated according to the method provided for in paragraph (a), clause (1), interest must be contracted for and earned as provided in that provision or at the single annual percentage rate computed to the nearest 1/100 of one percent that would earn the same total interest at maturity of the contract as would be earned by the application of the graduated rates provided in paragraph (a), clause (1), when the debt is paid according to the agreed terms and the calculations are made according to the actuarial method.

(c) Loans may be interest-bearing or precomputed.

(d) To compute time on interest-bearing and precomputed loans, including, but not limited to the calculation of interest, a day is considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month.

In the alternative, for interest-bearing loans, a licensee may charge interest at the rate of 1/365 of the agreed annual rate for each actual day elapsed.

(e) With respect to interest-bearing loans:

(1) Interest must be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment must be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance.

(2) Interest must not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the new loan contract may include any unpaid interest which has accrued. The unpaid principal balance of a precomputed loan is the balance due after refund or

credit of unearned interest as provided in paragraph (f), clause (3). The resulting loan contract is deemed a new and separate loan transaction for all purposes.

(f) With respect to precomputed loans:

(1) Loans must be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be more or less than one month by not more than 15 days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days and must be reduced by the amount of interest for the number of days less than one month to the first installment payment; and monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until the loan is fully paid. Payments must be applied in the order in which they become due.

(3) When any loan contract is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date, a licensee shall refund or credit the borrower with the total of the applicable charges for all fully unexpired installment periods, as originally scheduled or as deferred, which follow the day of prepayment; if the prepayment is made other than on a scheduled payment date, the nearest scheduled installment payment date must be used in the computation; provided further, if the prepayment occurs prior to the first installment due date, the licensee may retain 1/30 of the applicable charge for a first installment period of one month for each day from the date of the loan to the date of prepayment, and shall refund or credit the borrower with the balance of the total interest contracted for. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgment is entered.

(4) If an installment, other than the final installment, is not paid in full within ten days of its scheduled due date, a licensee may contract for and receive a default charge not exceeding five percent of the amount of the installment, but not less than \$4 \$5.20.

A default charge under this subdivision may not be collected on an installment paid in full within ten days of its scheduled due date, or deferred installment due date with respect to deferred installments, even though a default or deferral charge on an earlier installment has not been paid in full. A default charge may be collected at the time it accrues or at any time thereafter.

(5) If the parties agree in writing, either in the loan contract or in a subsequent agreement, to a deferment of wholly unpaid installments, a licensee may grant a deferment and may collect a deferment charge as provided in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one-month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. Should a loan be prepaid in full during a deferment period, the licensee shall make or credit to the borrower a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan in full.

(6) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the single annual percentage rate permitted by this subdivision may be charged on the unpaid balance until fully paid.

(7) Following the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under clause (6), may charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the single annual percentage rate permitted by this subdivision until fully paid.

(8) With respect to a loan secured by an interest in real estate, and having a maturity of more than 60 months, the original schedule of installment payments must fully amortize the principal and interest on the loan. The original schedule of installment payments for any other loan secured by an interest in real estate must provide for payment amounts that are sufficient to pay all interest scheduled to be due on the loan.

Sec. 23. Minnesota Statutes 1994, section 56.131, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL CHARGES.] In addition to the charges provided for by this section and section 56.155, no further or other amount whatsoever, shall be directly or indirectly charged, contracted for, or received for the loan made, except actual out of pocket expenses of the licensee to realize on a security after default, and except for the following additional charges which may be included in the principal amount of the loan:

- (a) lawful fees and taxes paid to any public officer to record, file, or release security;
- (b) with respect to a loan secured by an interest in real estate, the following closing costs, if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section; provided the costs do not exceed one percent of the principal amount or \$250 \$400, whichever is greater:
 - (1) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;
 - (2) fees, if not paid to the licensee, an employee of the licensee, or a person related to the licensee, for preparation of a mortgage, settlement statement, or other documents, fees for notarizing mortgages and other documents, and appraisal fees;
 - (c) the premium for insurance in lieu of perfecting and releasing a security interest to the extent that the premium does not exceed the fees described in paragraph (a);
 - (d) discount points and appraisal fees may not be included in the principal amount of a loan secured by an interest in real estate when the loan is a refinancing for the purpose of bringing the refinanced loan current and is made within 24 months of the original date of the refinanced loan. For purposes of this paragraph, a refinancing is not considered to be for the purpose of bringing the refinanced loan current if new funds advanced to the customer, not including closing costs or delinquent installments, exceed \$1,000.

Sec. 24. Minnesota Statutes 1994, section 56.131, subdivision 4, is amended to read:

Subd. 4. [ADJUSTMENT OF DOLLAR AMOUNTS.] (a) The dollar amounts in this section, sections 53.04, subdivision 3a, paragraph (c), 56.01, 56.12, and 56.125 shall change periodically, as provided in this section, according to and to the extent of changes in the implicit price deflator for the gross ~~national~~ domestic product, 1972 1987 = 100, compiled by the United States Department of Commerce, and hereafter referred to as the index. The index for December 1980 1991 is the reference base index for adjustments of dollar amounts, ~~except that the index for December 1984 is the reference base index for the minimum default charge of \$4. The reference base index for subdivision 1, paragraph (a), clause (1), and subdivision 2, paragraph (d), is December 1990.~~

(b) The designated dollar amounts shall change on July 1 of each even-numbered year if the percentage of change, calculated to the nearest whole percentage point, between the index for December of the preceding year and the reference base index is ten percent or more, but;

(1) the portion of the percentage change in the index in excess of a multiple of ten percent shall be disregarded and the dollar amounts shall change only in multiples of ten percent of the amounts appearing in Laws 1981, chapter 258 this act, on the date of enactment; and

(2) the dollar amounts shall not change if the amounts required by this section are those currently in effect pursuant to Laws 1981, chapter 258 this act, as a result of earlier application of this section.

(c) If the index is revised, the percentage of change pursuant to this section shall be calculated

on the basis of the revised index. If a revision of the index changes the reference base index, a revised reference base index shall be determined by multiplying the reference base index then applicable by the rebasing factor furnished by the department of commerce. If the index is superseded, the index referred to in this section is the one represented by the department of commerce as reflecting most accurately changes in the purchasing power of the dollar for consumers.

(d) The commissioner shall announce and publish:

(1) on or before April 30 of each year in which dollar amounts are to change, the changes in dollar amounts required by paragraph (b); and

(2) promptly after the changes occur, changes in the index required by paragraph (c) including, if applicable, the numerical equivalent of the reference base index under a revised reference base index and the designation or title of any index superseding the index.

(e) A person does not violate this chapter with respect to a transaction otherwise complying with this chapter if that person relies on dollar amounts either determined according to paragraph (b), clause (2) or appearing in the last publication of the commissioner announcing the then current dollar amounts.

(f) The adjustments provided in this section shall not be affected unless explicitly provided otherwise by law.

Sec. 25. Minnesota Statutes 1994, section 56.131, subdivision 6, is amended to read:

Subd. 6. [DISCOUNT POINTS.] A loan made under this section that is secured by real estate and that is in a principal amount of ~~\$7,500~~ \$12,000 or more and has a maturity of 60 months or more may contain a provision permitting discount points, if the loan does not provide a loan yield in excess of the maximum rate of interest permitted by this section. Loan yield means the annual rate of return obtained by a licensee computed as the annual percentage rate is computed under Federal Regulation Z. If the loan is prepaid in full, the licensee must make a refund to the borrower to the extent that the loan yield will exceed the maximum rate of interest provided by this section when the prepayment is taken into account.

Sec. 26. Minnesota Statutes 1994, section 56.17, is amended to read:

56.17 [LIMITATION; ASSIGNMENT OF WAGES; SECURITY AGREEMENT.]

No assignment of, or order for payment of, any salary, wages, commissions, or other compensation for services earned or to be earned, given to secure any loan made by any licensee under this chapter, shall be valid unless the principal amount of the loan is ~~\$1,200 or less and is~~ paid to the borrower simultaneously with its execution; nor shall any assignment or order, or any security agreement or other lien on household furniture then in the possession and use of the borrower, be valid unless it is in writing, signed in person by the borrower, ~~nor if the borrower is married, unless it is signed in person by both husband and wife; provided, that written assent of a spouse shall not be required when husband and wife have been living separate and apart for a period of at least five months prior to the making of the assignment, order, security agreement, or~~ lien.

Under any assignment or order for the payment of future salary, wages, commissions, or other compensation for services, given as security for a loan made by any licensee under this chapter, a sum not to exceed ten percent of the borrower's salary, wages, commissions, or other compensation for services shall be collectible from the employer of the borrower by the licensee at the time for each payment to the borrower of salary, wages, commissions, or other compensation for services, from the time that a copy of the assignment, verified by the oath of the licensee or the licensee's agent, together with a similarly verified statement of the amount unpaid upon the loan and a printed copy of this section is served upon the employer; provided, that this section shall not be construed as giving the assignee any greater rights than those under section 181.05.

This section shall control, with respect to licensees, notwithstanding anything in section 47.59, subdivision 12, clause (c), to the contrary.

Sec. 27. [REVISOR INSTRUCTION.]

The revisor of statutes shall change the term "building and loan association" or "savings, building and loan association" or similar term to "savings association" or similar term in Minnesota Statutes and Minnesota Rules.

Sec. 28. [REPEALER.]

Minnesota Statutes 1994, sections 46.03; 48.611; and 48.97, subdivisions 2, 3, and 4, are repealed.

Sec. 29. [EFFECTIVE DATE.]

Sections 1 to 16, 18 to 21, and 23 to 26 are effective the day after final enactment.

ARTICLE 2

REGULATORY IMPROVEMENT

Section 1. Minnesota Statutes 1994, section 46.04, is amended by adding a subdivision to read:

Subd. 3. [FINANCIAL INSTITUTIONS AND LICENSEE RECORDS.] For purposes of examination and regulation of those entities referred to in subdivisions 1 and 2, records may be maintained on optical image storage systems acceptable to the commissioner. Electronically maintained and stored records must meet the following minimum standards:

(1) a document or record may be transferred to and stored on a nonerasable imaging system and retained only in that format if all documents and records preserved on nonerasable optical imaging systems meet nationally recognized standards for permanent records and are available for retrieval for as long as applicable law requires;

(2) a backup copy of the record is created and stored at a site other than the site where the original is kept. The backup copy must be preserved either: (i) on a nonerasable optical imaging system; or (ii) by another reproduction method approved by the commissioner; and

(3) all contracts for third-party maintenance and storage of those records must include assurance of access by the commissioner consistent with the purposes of this section.

Sec. 2. Minnesota Statutes 1994, section 46.041, subdivision 1, is amended to read:

Subdivision 1. [FILING; FEE; PUBLIC INSPECTION.] The incorporators of a bank proposed to be organized under the laws of this state shall execute and acknowledge a written application in the form prescribed by the commissioner of commerce. The application must be signed by two or more of the incorporators and request a certificate authorizing the proposed bank to transact business at the place and in the name stated in the application. The applicant shall file the application with the department with a \$1,000 filing fee and a \$500 investigation fee. The fees must be turned over by the commissioner to the state treasurer and credited to the general fund. The application file must be public, with the exception of financial data on individuals which is private under the Minnesota government data practices act and data defined as trade secret information under section 13.37, subdivision 1, paragraph (b), which must be given nonpublic classification upon written request by the applicant.

Sec. 3. Minnesota Statutes 1994, section 47.10, subdivision 3, is amended to read:

Subd. 3. [LEASEHOLD PLACE OF BUSINESS; APPROVAL OF CERTAIN LEASE AGREEMENTS.] No bank, trust company, savings bank, or ~~building and loan savings~~ association may acquire real property and improvements of any nature to it for its place of business by lease agreement if the lessor has an existing direct or indirect interest in the management or ownership of the bank, trust company, savings bank, or ~~building and loan savings~~ association without prior written approval by the commissioner. This includes subsequent amendments and associated leasehold improvements. A lessee's expenditures to maintain the leasehold premises consistent with ordinary business conditions and within the preapproved lease agreement does not constitute an amendment requiring prior written approval.

Sec. 4. Minnesota Statutes 1994, section 47.20, subdivision 5, is amended to read:

Subd. 5. [PREPAYMENT PENALTY.] (a) Unless the mortgagor waives its right to prepay the mortgage without penalty, in a uniform written disclosure waiver approved by the commissioner and signed by the mortgagor, no conventional loan or loan authorized in subdivision 1 made on or after the effective date of Laws 1977, chapter 350 shall contain a provision requiring or permitting the imposition of a penalty in the event the loan or advance of credit is prepaid. The prepayment penalty shall be the lesser of two percent of the unpaid principal balance or 60 days interest on the unpaid principal balance. A lender that offers a mortgage loan with a prepayment penalty shall also offer a mortgage loan without a prepayment penalty.

This section does not permit the imposition of a prepayment penalty in the event that the property securing the mortgage is sold or the mortgage is prepaid in part. No prepayment penalty may be enforced after 42 months from the date of the mortgage.

(b) A precomputed conventional loan or precomputed loan authorized in subdivision 1 shall provide for a refund of the precomputed finance charge according to the actuarial method if the loan is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date. The actuarial method for the purpose of this section is the amount of interest attributable to each fully unexpired monthly installment period of the loan contract following the date of prepayment in full, calculated as if the loan was made on an interest-bearing basis at the rate of interest provided for in the note based on the assumption that all payments were made according to schedule. A precomputed loan for the purpose of this section means a loan for which the debt is expressed as a sum comprised of the principal amount and the amount of interest for the entire term of the loan computed actuarially in advance on the assumption that all scheduled payments will be made when due, and does not include a loan for which interest is computed from time to time by application of a rate to the unpaid principal balance, interest-bearing loans, or simple-interest loans. For the purpose of calculating a refund for precomputed loans under this section, any portion of the finance charge for extending the first payment period beyond one month may be ignored. Nothing in this section shall be considered a limitation on discount points or other finance charges charged or collected in advance, and nothing in this section shall require a refund of the charges in the event of prepayment. Nothing in this section shall be considered to supersede section 47.204.

Sec. 5. Minnesota Statutes 1994, section 47.20, subdivision 10, is amended to read:

Subd. 10. [WAIVER.] Notwithstanding any other law Except as provided in subdivision 5, the provisions of this section may not be waived by any oral or written agreement executed by any person.

Sec. 6. Minnesota Statutes 1994, 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 not more than five detached facilities provided the facilities are located within the municipality in which the principal office of the applicant bank is located; or within 5,000 feet of its principal office measured in a straight line from the closest points of the closest structures involved; or within 100 miles of its principal office measured in a straight line from the closest points of the closest structures involved, if the detached facility is within any municipality in which no bank is located at the time of application or if the detached facility is in a municipality having a population of more than 10,000, or if the detached facility is located in a municipality having a population of 10,000 or less, as determined 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) Any bank is allowed, in addition to other facilities, one drive-in or walk-up facility located between 150 to 1,500 feet of the main banking house or within 1,500 feet from a detached facility. The drive-in or walk-up facility permitted by this clause is subject to paragraph (b) and section 47.53.

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

Sec. 7. Minnesota Statutes 1994, section 47.56, is amended to read:

47.56 [TRANSFER OF LOCATION.]

The location of a detached facility ~~may be transferred to another location;~~ outside of a radius of three miles measured in a straight line is subject to the same procedures and approval as required hereunder for establishing a new detached facility, except that the relocation of a detached facility within a municipality of 10,000 or less population shall not require consent of other banks required in section 47.52.

Sec. 8. Minnesota Statutes 1994, section 47.61, subdivision 3, is amended to read:

Subd. 3. "Electronic financial terminal" means an electronic information processing device, other than a telephone or an electronic information processing device that is used internally by a financial institution to conduct the business activities of the institution, or an electronic point-of-sale terminal owned or operated by a merchant that is used to process payments for the retail purchase of goods and services by consumers through the use of debit cards, and which payment transactions are subject to the Electronic Fund Transfer Act, United States Code, title 12, section 1693, and Regulation E of the Federal Reserve Board, Code of Federal Regulations, title 12, part 205.2, and, notwithstanding this section, are subject to liability under section 47.69, subdivision 3, that is established to do either or both of the following:

- (a) capture the data necessary to initiate financial transactions; or
- (b) through its attendant support system, store or initiate the transmission of the information necessary to consummate a financial transaction.

Sec. 9. Minnesota Statutes 1994, section 47.62, subdivision 2, is amended to read:

Subd. 2. No electronic financial terminal shall be established by a person other than a state or federal savings and loan association, state or federal savings bank, state or federal credit union, or state bank or national banking association unless the commissioner has approved the establishment of the terminal.

Sec. 10. Minnesota Statutes 1994, section 47.62, is amended by adding a subdivision to read:

Subd. 5. A bank, savings bank, savings association, or credit union organized under the laws of this state may, after completing the notification procedure required by this subdivision, establish and maintain one or more electronic financial terminals. The filing must be on forms provided by the commissioner. No electronic financial terminal may be established according to sections 47.61 to 47.74 if disallowed by order of the commissioner within 15 days of the filing of a complete and acceptable notification of the intent to establish an electronic financial terminal.

Sec. 11. Minnesota Statutes 1994, section 47.62, is amended by adding a subdivision to read:

Subd. 6. An application or notification to relocate an existing financial terminal outside a radius of three miles measured in a straight line must be approved by, or a notification must be filed with, the commissioner of commerce as provided for in this section.

Sec. 12. Minnesota Statutes 1994, section 47.67, is amended to read:

47.67 [ADVERTISING.]

No advertisement by a person which relates to an electronic financial terminal may be

inaccurate or misleading with respect to such a terminal. Except with respect to direct mailings by financial institutions to their customers, the advertising of rate of interest paid on accounts in connection with electronic financial terminals is prohibited. Any advertisement, either on or off the site of an electronic financial terminal, promoting the use or identifying the location of an electronic financial terminal, which identifies any financial institution, group or combination of financial institutions, or third parties as owning or providing for the use of its services is prohibited. The following shall be expressly permitted:

(a) a simple directory listing placed at the site of an electronic financial terminal identifying the particular financial institutions using its services;

(b) the use of a generic name, either on or off the site of an electronic financial terminal, which does not promote or identify any particular financial institution, group or combination of financial institutions, or any third parties;

(c) media advertising or direct mailing of information by a financial institution or retailer identifying locations of electronic financial terminals and promoting their usage; and

(d) any advertising, whether on or off the site, relating to electronic financial terminals, or the services performed at the electronic financial terminals located on the premises of the main office, or any office or detached facility of any financial institution;

(e) a coupon or other promotional advertising that is printed upon the reverse side of the receipt or record of each transaction required under section 47.69, subdivision 6; and

(f) promotional advertising displayed on the electronic screen.

Sec. 13. Minnesota Statutes 1994, section 47.69, subdivision 3, is amended to read:

Subd. 3. Every financial institution using an electronic financial terminal shall maintain reasonable procedures to minimize losses from unauthorized withdrawals from its customers' accounts by use of an electronic financial terminal. After a customer makes a bona fide deposit or payment at an electronic financial terminal and has received a receipt, any loss due to theft or other reason shall not be borne by the customer; provided, loss due to the nonpayment or dishonor of a check, or other order for payment, deposited at an electronic financial terminal shall be governed by the applicable provisions of chapter 336. A financial institution shall be liable for all unauthorized withdrawals unless the unauthorized withdrawal was ~~(1) due to the negligent conduct or the intentional misconduct of the operator of an electronic financial terminal or that operator's agent in which case the operator of an electronic financial terminal or the agent shall be liable, or (2) due to the loss or theft of the customer machine readable card in which case the customer shall be liable, subject to a maximum liability of \$50, for those unauthorized withdrawals made prior to the time the financial institution is notified of the loss or theft. The limitation on liability contained in clause (2) is effective only if the issuer is notified of unauthorized charges contained in a bill within 60 days of receipt of the bill by the person in whose name the card is issued. For purposes of this subdivision, "unauthorized withdrawal" means a withdrawal by a person other than the customer who does not have actual, implied, or apparent authority for such withdrawal, and from which withdrawal the customer or a member of the customer's family or household receives no benefit.~~

Sec. 14. Minnesota Statutes 1994, section 47.69, subdivision 5, is amended to read:

Subd. 5. Any customer of a financial institution may bring a civil action against any person violating any subdivision of this section in the district court in the county of the alleged violator's residence or principal place of business or in the county wherein the alleged violation occurred. Upon adverse adjudication, the defendant shall be liable for actual damages, or \$500, whichever is greater, punitive damages when applicable, together with the court costs and reasonable attorneys' fees incurred by the plaintiff. The court may provide such equitable relief as it deems necessary or proper, including enjoining the defendant from further violations. If the unauthorized withdrawal was due to the negligent conduct or the intentional misconduct of an operator or person establishing and maintaining an electronic financial terminal other than a financial institution or agent of a financial institution, that operator or person establishing and maintaining an electronic financial terminal or its agent is liable and subject to a civil action under this subdivision by the

financial institution considered liable under subdivision 3 and having made reimbursement to the customer.

Sec. 15. Minnesota Statutes 1994, section 48.16, is amended to read:

48.16 [BANKS MAY NOT PLEDGE ASSETS; EXCEPTIONS.]

No bank or trust company shall pledge, hypothecate, assign, transfer, or create a lien upon or charge against any of its assets except as follows:

- (1) to the state;
- (2) to secure public deposits;
- (3) to secure funds of trustees in bankruptcy;
- (4) to secure money borrowed in good faith from other banks, trust companies, or a financial agency created by act of Congress, or the state in programs specifically authorizing state banks to participate as an eligible local lender;
- (5) to finance the acquisition of real estate to be carried as an asset as provided for in section 47.10;
- (6) to secure 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 thereof that the bank or trust company is obligated to repurchase.

This section shall not be construed to permit the use of assets as security for public deposits other than the securities made eligible by law for that purpose.

Sec. 16. Minnesota Statutes 1994, section 48.24, subdivision 5, is amended to read:

Subd. 5. Loans or obligations shall not be subject under this section to any limitation based upon such capital and surplus to the extent that they are secured or covered by guarantees, or by commitments or agreements to take over or to purchase the same, made by:

- (1) the commissioner of agriculture on the purchase of agricultural land;
- (2) any Federal Reserve bank;
- (3) the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States;
- (4) the Minnesota energy and economic development authority; ~~or~~
- (5) the Minnesota export finance authority; or
- (6) a municipality or political subdivision within Minnesota to the extent that the guarantee or collateral is a valid and enforceable general obligation of that political body.

Sec. 17. Minnesota Statutes 1994, section 48.48, subdivision 1, is amended to read:

Subdivision 1. [SUBMISSION AND PUBLICATION.] At least four times in each year, and at any other time when so requested by the commissioner, every bank or trust company shall, within 30 days of the date of notice, make and transmit to the commissioner or to the commissioner's designee, in a form the commissioner prescribes, a report, ~~verified by its president or vice president and by its cashier or treasurer, and attested by at least two to in the official minutes of its directors, stating in detail, under appropriate heads, as required by the commissioner, its assets and liabilities at the close of business on the day specified in the request. The commissioner may accept a report made to a federal authority having supervision of banks or trust companies in fulfilling this requirement. This statement shall be published once at the expense of the bank or trust company in a qualified newspaper in the municipality or town in which the bank or trust company is located, and if there is no such newspaper, then in a qualified newspaper likely to give notice in the municipality or town in which the bank or trust company is located. Proof of~~

~~publication shall be filed with the commissioner immediately after publication of the report, but no later than 60 days following the date of the notice. That portion of the report constituting the statement of assets, liabilities, and capital and statement of income and expenses must be made available to the public within 45 days of the notice at every location of the bank or trust company including detached facilities and trust service offices.~~

Sec. 18. Minnesota Statutes 1994, section 48.48, subdivision 2, is amended to read:

Subd. 2. [PENALTIES FOR LATE SUBMISSION.] For failure to send these reports to the commissioner or to the commissioner's designee in the time specified, a bank or trust company shall forfeit to the state the sum of \$25 for each day of delay and shall pay the accumulated sum to the commissioner upon a formal demand for payment by the commissioner. If it appears that a report was mailed transmitted by a bank or trust company on or before the end of the 30-day period, ~~or proof of publication mailed on or before the end of the 60-day period,~~ the commissioner shall waive any forfeit. In the event it does not appear that a report was timely mailed transmitted, the commissioner may nevertheless waive forfeit upon a showing by the bank or trust company to the satisfaction of the commissioner that failure to send the reports was the result of causes beyond the control of the bank or trust company.

Sec. 19. Minnesota Statutes 1994, section 48.49, is amended to read:

48.49 [BOOKS TO BE KEPT.]

Every such bank shall open and keep such books and accounts as the commissioner may prescribe, for the purpose of keeping accurate and convenient records of its transactions; ~~and every bank refusing or neglecting so to do shall forfeit \$10 for every day of such neglect or refusal.~~

Sec. 20. Minnesota Statutes 1994, section 48.61, subdivision 7, is amended to read:

Subd. 7. [SUBSIDIARIES.] (a) A state bank or trust company may organize, acquire, or invest in a subsidiary located in this state for the purposes of engaging in one or more of the following activities, subject to the prior written approval of the commissioner:

(1) any activity, not including receiving deposits, ~~lending money,~~ or paying checks that a state bank is authorized to engage in under state law or rule or under federal law or regulation unless the activity is prohibited by the laws of this state;

(2) any activity that a bank clerical service corporation is authorized to engage in under section 48.89; and

(3) any other activity authorized for a national bank, a bank holding company, or a subsidiary of a national bank or bank holding company under federal law or regulation of general applicability, and approved by the commissioner by rule.

(b) A bank or trust company subsidiary may engage in an activity under this section only upon application together with a filing fee of \$250 and with the prior written approval of the commissioner. In approving or denying a proposed activity, the commissioner shall consider the financial and management strength of the bank or trust company, the current written operating plan and policies of the proposed subsidiary corporation, the bank or trust company's community reinvestment record, and whether the proposed activity should be conducted through a subsidiary of the bank or trust company.

(c) The aggregate amount of funds invested in either an equity or loan capacity in all of the subsidiaries of the bank or trust company authorized under this subdivision shall not exceed 25 percent of the capital stock and paid in surplus of the bank or trust company.

(d) A subsidiary organized or acquired under this subdivision is subject to the examination and enforcement authority of the commissioner under chapters 45 and 46 to the same extent as a state bank or trust company.

(e) For the purposes of this section, "subsidiary" means a corporation of which more than 50 percent of the voting shares are owned or controlled by the bank or trust company.

Sec. 21. [52.211] [STUDENT EDUCATION PROGRAMS.]

A credit union is allowed to establish part-time deposit-taking locations at elementary and secondary schools provided that the locations are established in connection with student education programs approved by the school administration and consistent with safe and sound financial institution practices. For purposes of this section, students do not need to be members of the credit union to participate, and the students' parents are not automatically made members by reason of their child's participation.

Sec. 22. Minnesota Statutes 1994, section 53.015, subdivision 4, is amended to read:

Subd. 4. [CAPITAL STOCK.] "Capital stock" means the par value of preferred or common stock multiplied by the respective number of shares of each type of stock. For purposes of section 53.05, clause (7), capital stock may include an amount of mandatory convertible debentures approved by the commissioner. The terms and conditions for redemption of the qualifying debentures must include the prior written approval of the commissioner as a condition for a redemption, but in no event an amount in excess of 50 percent of total preferred or common stock.

Sec. 23. Minnesota Statutes 1994, section 56.14, is amended to read:

56.14 [DUTIES OF LICENSEE.]

Every licensee shall:

(1) deliver to the borrower (or if there are two or more borrowers to one of them) at the time any loan is made a statement making the disclosures and furnishing the information required by the federal Truth-in-Lending Act, United States Code, title 15, sections 1601 to 1667e, as amended from time to time, with respect to the contract of loan. A copy of the loan contract may be delivered in lieu of a statement if it discloses the required information;

(2) deliver or mail to the borrower without request, a written receipt within 30 days following payment for each payment by coin or currency made on account of any loan wherein charges are computed and paid on unpaid principal balances for the time actually outstanding, specifying the amount applied to charges and the amount, if any, applied to principal, and stating the unpaid principal balance, if any, of the loan; and wherein precomputed charges have been added to the principal of the loan specifying the amount of the payment applied to principal and charges combined, the amount applied to default or extension charges, if any, and stating the unpaid balance, if any, of the precomputed loan contract. A periodic statement showing a payment received by mail complies with this clause;

(3) permit payment to be made in advance in any amount on any contract of loan at any time, but the licensee may apply the payment first to all charges in full at the agreed rate up to the date of the payment;

(4) upon repayment of the loan in full, mark indelibly every obligation and security, other than a mortgage or security agreement which secures a new loan to the licensee, signed by the borrower with the word "Paid" or "Canceled," and release any mortgage or security agreement which no longer secures a loan to the licensee, restore any pledge, and cancel and return any note, and any assignment given to the licensee which does not secure a new loan to the licensee within 20 days after the repayment. For purposes of this requirement, the document including actual evidence of an obligation or security may be maintained, stored, and retrieved in a form or format acceptable to the commissioner under section 46.04, subdivision 3;

(5) display prominently in each licensed place of business a full and accurate schedule, to be approved by the commissioner, of the charges to be made and the method of computing the same; furnish a copy of the contract of loan to any person obligated on it or who may become obligated on it at any time upon the request of that person;

(6) show in the loan contract or statement of loan the rate or rates of charge on which the charge in the contract is based, expressed in terms of rate or rates per annum. The rate expression shall be printed in at least 8-point type on the loan statement or copy of the loan contract given to the borrower;

(7) if a payment results in the prepayment of three or more installment payments on a precomputed loan, at the same time the receipt required by clause (2) is delivered or mailed, deliver or mail to the borrower a notice in at least 8-point type as part of the receipt or together with the receipt. The notice must contain the following statement:

"You have substantially prepaid the installment payments on your loan and may experience an interest savings over the remaining term only if you refinance the balance within the next 30 days."

Sec. 24. Minnesota Statutes 1994, section 56.155, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] No licensee shall, directly or indirectly, sell or offer for sale any insurance in connection with any loan made under this chapter except as and to the extent authorized by this section. The sale of credit life, credit accident and health, and credit involuntary unemployment insurance is subject to the provisions of chapter 62B, except that the term of the insurance may exceed 60 months if the term of the loan exceeds 60 months. Life, accident, health, and involuntary unemployment insurance, or any of them, may be written upon or in connection with any loan but must not be required as additional security for the indebtedness. If the debtor chooses to procure credit life insurance, credit accident and health insurance, or credit involuntary unemployment insurance as security for the indebtedness, the debtor shall have the option of furnishing this security through existing policies of insurance that the debtor owns or controls, or of furnishing the coverage through any insurer authorized to transact business in this state. A statement in substantially the following form must be made orally, except for loans by mail pursuant to section 56.12, and provided in writing in bold face type of a minimum size of 12 points to the borrower before the transaction is completed for each credit life, accident and health, and involuntary unemployment insurance coverage sold:

CREDIT LIFE INSURANCE, CREDIT DISABILITY INSURANCE, AND CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE ARE NOT REQUIRED TO OBTAIN CREDIT. YOU MAY BUY ANY INSURANCE FROM ANYONE YOU CHOOSE OR YOU MAY USE EXISTING INSURANCE.

The licensee shall disclose whether or not the benefits commence as of the first day of disability or involuntary unemployment and shall further disclose the number of days that an insured obligor must be disabled or involuntarily unemployed, as defined in the policy, before benefits, whether retroactive or nonretroactive, commence. ~~In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit unemployment benefits may be procured by or through a licensee upon more than one of the obligors.~~ In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit accident and health or, credit life insurance or credit unemployment benefits may be procured by or through a licensee upon more than two of the obligors in which case they shall be insured jointly or in the case of credit unemployment benefits on a basis provided for in rules adopted by the commissioner. The premium or identifiable charge for the insurance must not exceed that filed by the insurer with the department of commerce. The charge, computed at the time the loan is made for a period not to exceed the full term of the loan contract on an amount not to exceed the total amount required to pay principal and charges, may be deducted from the proceeds or may be included as part of the principal of any loan. If a borrower procures insurance by or through a licensee, the statement required by section 56.14 must disclose the cost to the borrower and the type of insurance, and the licensee shall cause to be delivered to the borrower a copy of the policy, certificate, or other evidence thereof, within a reasonable time. No licensee shall decline new or existing insurance which meets the standards set out in this section nor prevent any obligor from obtaining this insurance coverage from other sources. Notwithstanding any other provision of this chapter, any gain or advantage to the licensee or to any employee, affiliate, or associate of the licensee from this insurance or the sale or provision thereof is not an additional or further charge in connection with the loan; nor are any of the provisions pertaining to insurance contained in this section prohibited by any other provision of this chapter.

Sec. 25. Minnesota Statutes 1994, section 59A.06, subdivision 2, is amended to read:

Subd. 2. Every licensee shall preserve its records of premium finance transactions for at least

three years after making the final entry in respect to any premium finance agreement. The records may be preserved in photographic form or in a form acceptable to the commissioner under section 46.04, subdivision 3.

Sec. 26. 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 plus an amount equal to one monthly payment. Thereafter, if the indebtedness is repayable in substantially equal installments according to a predetermined schedule, the amount of insurance shall not exceed the scheduled indebtedness plus one monthly payment or actual amount of indebtedness, whichever is greater.

(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.

(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.

(4) 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 shall be used in determining the scheduled amount of indebtedness, and subsequent changes to the rate shall be disregarded in determining whether the contract is repayable in substantially equal installments according to a predetermined schedule.

Sec. 27. Minnesota Statutes 1994, section 62B.08, subdivision 2, is amended to read:

Subd. 2. Each individual policy or group certificate shall provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, ~~that the commissioner shall prescribe a minimum refund and no refund which would be less than such minimum need be made a premium refund or credit need not be made if the amount thereof is less than \$5.~~ The formula to be used in computing the refund shall be filed with and approved by the commissioner.

Sec. 28. Minnesota Statutes 1994, section 80C.01, subdivision 4, is amended to read:

Subd. 4. "Franchise" means (a) a contract or agreement, either express or implied, whether oral or written, for a definite or indefinite period, between two or more persons:

(1) by which a franchisee is granted the right to engage in the business of offering or distributing goods or services using the franchisor's trade name, trademark, service mark, logotype, advertising, or other commercial symbol or related characteristics;

(2) in which the franchisor and franchisee have a community of interest in the marketing of goods or services at wholesale, retail, by lease, agreement, or otherwise; and

(3) for which the franchisee pays, directly or indirectly, a franchise fee; or

(b) a contract, lease, or other agreement, either express or implied, whether oral or written, for a definite or indefinite period, between two or more persons, whereby the franchisee is granted the right to market motor vehicle fuel; or

(c) the sale or lease of any products, equipment, chattels, supplies, or services to the purchaser, other than the sale of sales demonstration equipment, materials or samples for a total price of \$500 or less to any one person, for the purpose of enabling the purchaser to start a business and in which the seller:

(1) represents that the seller, lessor, or an affiliate thereof will provide locations or assist the purchaser in finding locations for the use or operation of vending machines, racks, display cases, or similar devices, or currency operated amusement machines or devices, on premises neither owned or leased by the purchaser or seller; or

(2) represents that the seller will purchase any or all products made, produced, fabricated, grown, bred, or modified by the purchaser using, in whole or in part, the supplies, services, or chattels sold to the purchaser; or

(3) guarantees that the purchaser will derive income from the business which exceeds the price paid to the seller; or

(d) an oral or written contract or agreement, either expressed or implied, for a definite or indefinite period, between two or more persons, under which a manufacturer, selling security systems through dealers or distributors in this state, requires regular payments from the distributor or dealer as royalties or residuals for products purchased and paid for by the dealer or distributor.

(e) "Franchise" does not include any business which is operated under a lease or license on the premises of the lessor or licensor as long as such business is incidental to the business conducted by the lessor or licensor on such premises, including, without limitation, leased departments, licensed departments, and concessions.

(f) "Franchise" does not include any contract, lease or other agreement whereby the franchisee is required to pay less than \$100 on an annual basis, except those franchises identified in paragraph (b).

(g) "Franchise" does not include a contract, lease or other agreement between a new motor vehicle manufacturer, distributor, or factory branch and a franchisee whereby the franchisee is granted the right to market automobiles, motorcycles, trucks, truck tractors, or self-propelled motor homes or campers if the foregoing are designed primarily for the transportation of persons or property on public highways.

(h) "Franchise" does not include a contract, lease, or other agreement or arrangement between two or more air carriers, or between one or more air carriers and one or more foreign air carriers. The terms "air carrier" and "foreign air carrier" shall have the meanings assigned to them by the federal Aviation Act, United States Code Appendix, title 49, sections 1301(3) and 1301(22), respectively.

Sec. 29. Minnesota Statutes 1994, section 300.20, subdivision 1, is amended to read:

Subdivision 1. [ELECTION.] The business of savings banks must be managed by a board of at least seven trustees, residents of this state, each of whom, before being authorized to act, must file a written acceptance of the trust. The business of other corporations must be managed by a board of at least ~~three~~ five 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 on August 1, 1995, is not subject to this requirement but may be increased to not more than five members by order of the commissioner of commerce.

Sec. 30. Minnesota Statutes 1994, section 327B.04, subdivision 1, is amended to read:

Subdivision 1. [LICENSE AND BOND REQUIRED.] No person shall act as a dealer in manufactured homes, new or used, without a license and a surety bond as provided in this section. No person shall manufacture manufactured homes without a license and a surety bond as provided in this section. The licensing and bonding requirements of this section do not apply to any bank, savings bank, savings ~~and loan~~ association, or credit union, chartered by either this state or the federal government, which acts as a dealer only by repossessing manufactured homes and then offering the homes for resale ~~through the brokering services of a licensed dealer or real estate broker or salesperson.~~

Sec. 31. Minnesota Statutes 1994, section 327B.09, subdivision 1, is amended to read:

Subdivision 1. [LICENSE REQUIRED.] No person shall engage in the business, either

exclusively or in addition to any other occupation of manufacturing, selling, offering to sell, soliciting or advertising the sale of manufactured homes, or act as a broker without being licensed as a manufacturer or a dealer as provided in section 327B.04. Any person who manufactures, sells, offers to sell, solicits or advertises the sale of manufactured homes, or acts as a broker in violation of this subdivision shall nevertheless be subject to the duties, prohibitions and penalties imposed by sections 327B.01 to 327B.12. This subdivision chapter does not prohibit either an individual from reselling, without a license, a manufactured home which is or has been the individual's residence or any bank, savings bank, savings association, or credit union, chartered by either this state or the federal government, from reselling, without a license, a repossessed manufactured home.

Sec. 32. Minnesota Statutes 1994, section 332.23, subdivision 1, is amended to read:

Subdivision 1. [ORIGINATION FEE, CREDIT BACKGROUND REPORT COST.] The licensee may charge an origination fee of not more than \$25 and collect the actual cost of a credit background report from a credit reporting agency not related to or affiliated with the licensee. The costs to the debtor of said origination fee and credit background report may be made from the originating amount paid by the debtor to the licensee. The cost of only one credit background report may be collected from the debtor in any 12-month period.

Sec. 33. Minnesota Statutes 1994, section 332.23, subdivision 2, is amended to read:

Subd. 2. [WITHDRAWAL OF FEE.] The licensee may withdraw and retain as partial payment of the licensee's total fee not more than 15 percent of any sum deposited with the licensee by the debtor for distribution. The remaining 85 percent must be disbursed to listed creditors pursuant to and in accordance with the contract between the debtor and the licensee within 35 days after receipt. Total payment to licensee for services rendered, excluding the origination fee and any credit background report, shall not exceed 15 percent of funds deposited with licensee by debtor for distribution.

Sec. 34. [EFFECTIVE DATE.]

Sections 1 to 3, 6 to 16, 18 to 22, and 24 to 33 are effective the day after final enactment. Sections 4 and 5 are effective for loans made, refinanced, renewed, extended, or modified on or after September 1, 1995. Section 17 is effective in regard to reports filed for close of business beginning June 30, 1995. Section 23 is effective June 1, 1995.

ARTICLE 3

INTEREST RATE SIMPLIFICATION AND SMALL DOLLAR CREDIT AVAILABILITY

Section 1. [47.59] [FINANCIAL INSTITUTION CREDIT EXTENSION MAXIMUM RATES.]

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 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

(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 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 set forth in this section.

(k) "Financial institution" means state and federally chartered banks, state and federally chartered banks and trusts, trust companies with banking powers, state and federally chartered savings banks, state and federally chartered savings associations, industrial loan and thrift companies, and regulated lenders.

(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.

(n) "Organization" means a corporation, government, or 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.

Subd. 2. [APPLICATION.] This section does not apply to loans and other direct advances of credit made by financial institutions as lender or creditor under sections 47.20, 47.21, 47.201, 47.204, 47.58, 47.60, 48.185, 48.195, 59A.01, 334.01, 334.011, 334.012, 334.06, and 334.061 to 334.19.

Subd. 3. [FINANCE CHARGE FOR LOANS.] (a) With respect to a loan, including a loan pursuant to open-end credit but excluding open-end credit pursuant to a credit card, a financial institution may contract for and receive a finance charge on the unpaid balance of the principal amount not to exceed the greater of:

(1) an annual percentage rate not exceeding 21.75 percent; or

(2) the total of:

(i) 33 percent per year on that part of the unpaid balance of the principal amount not exceeding \$750; and

(ii) 19 percent per year on that part of the unpaid balance of the principal amount exceeding \$750.

With respect to open-end credit pursuant to a credit card, the financial institution may contract for and receive a finance charge on the unpaid balance of the principal amount at an annual percentage rate not exceeding 18 percent per year.

(b) On a loan where the finance charge is calculated according to the method provided for in paragraph (a), clause (2), the finance charge must be contracted for and earned as provided in that provision or at the single annual percentage rate computed to the nearest .001 of one percent that would earn the same total finance charge at maturity of the contract as would be earned by the application of the graduated rates provided in paragraph (a), clause (2), when the debt is paid according to the agreed terms and the calculations are made according to the actuarial method.

(c) With respect to a loan, the finance charge must be considered not to exceed the maximum

annual percentage rate permitted under this section if the finance charge contracted for and received does not exceed the equivalent of the maximum annual percentage rate calculated in accordance with 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; or

(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.

(d) This subdivision does not limit or restrict the manner of calculating the finance charge, whether by way of add-on, discount, discount points, precomputed charges, single annual percentage rate, variable rate, interest in advance, compounding, average daily balance method, or otherwise, if the annual percentage rate does not exceed that permitted by this section.

(e) With respect to a loan secured by real estate, if a finance charge is calculated or collected in advance, or included in the principal amount of the loan, and the borrower prepays the loan in full, the financial institution shall credit the borrower with a refund of the charge to the extent that the annual percentage rate yield on the loan would exceed the maximum rate permitted under paragraph (a), taking into account the prepayment.

(f) With respect to all other loans, if the finance charge is calculated or collected in advance, or included in the principal amount of the loan, and the borrower prepays the loan in full, the financial institution shall credit the borrower with a refund of the charge to the extent the annual percentage rate yield on the loan would exceed the annual percentage rate on the loan as originally determined under paragraph (a) and taking into account the prepayment.

(g) For the purpose of calculating the refund under this subdivision, the financial institution may assume that the contract was paid before the date of prepayment according to the schedule of payments under the loan and that all payments were paid on their due dates.

(h) For loans repayable in substantially equal successive monthly installments, the financial institution may calculate the refund under paragraph (f) of this subdivision as the portion of the finance charge allocable on an actuarial basis to all wholly unexpired payment periods following the date of prepayment, based on the annual percentage rate on the loan as originally determined under paragraph (a), and for the purpose of calculating the refund may assume that all payments are made on the due date.

(i) The dollar amounts in this subdivision and subdivision 6, clause (4), shall change periodically, as provided in this section, according to and to the extent of changes in the implicit price deflator for the gross domestic product, 1987 = 100, compiled by the United States Department of Commerce, and hereafter referred to as the index. The index for December 1991 is the reference base index for adjustments of dollar amounts.

(j) The designated dollar amounts shall change on July 1 of each even-numbered year if the percentage of change, calculated to the nearest whole percentage point, between the index for December of the preceding year and the reference base index is ten percent or more; but

(1) the portion of the percentage change in the index in excess of a multiple of ten percent shall be disregarded and the dollar amounts shall change only in multiples of ten percent of the amounts appearing in this act, on the date of enactment; and

(2) the dollar amounts shall not change if the amounts required by this section are those currently in effect pursuant to this act, as a result of earlier application of this section.

(k) If the index is revised, the percentage of change pursuant to this section shall be calculated on the basis of the revised index. If a revision of the index changes the reference base index, a

revised reference base index shall be determined by multiplying the reference base index then applicable by the rebasing factor furnished by the department of commerce. If the index is superseded, the index referred to in this section is the one represented by the department of commerce as reflecting most accurately changes in the purchasing power of the dollar for consumers.

(l) The commissioner shall announce and publish:

(1) on or before April 30 of each year in which dollar amounts are to change, the changes in dollar amounts required by paragraph (j); and

(2) promptly after the changes occur, changes in the index required by paragraph (k) including, if applicable, the numerical equivalent of the reference base index under a revised reference base index and the designation or title of any index superseding the index.

(m) A person does not violate this chapter with respect to a transaction otherwise complying with this chapter if that person relies on dollar amounts either determined according to paragraph (j), clause (2), or appearing in the last publication of the commissioner announcing the then current dollar amounts.

(n) The adjustments provided in this section shall not be affected unless explicitly provided otherwise by law.

Subd. 4. [FINANCE CHARGE FOR CREDIT SALES MADE BY A THIRD PARTY.] (a) A person may enter into a credit sale contract for sale to a financial institution and a financial institution may purchase and enforce the contract, if the annual percentage rate provided for in the contract does not exceed that permitted in this section, or, in the case of contracts governed by sections 168.66 to 168.77, the rates permitted by those sections.

(b) The annual percentage rate may not exceed the equivalent of the greater of either of the following:

(1) the total of:

(i) 36 percent per year on that part of the unpaid balances of the amount financed that is \$300 or less;

(ii) 21 percent per year on that part of the unpaid balances of the amount financed which exceeds \$300 but does not exceed \$1,000; and

(iii) 15 percent per year on that part of the unpaid balances of the amount financed which exceeds \$1,000; or

(2) 19 percent per year on the unpaid balances of the amount financed.

(c) This subdivision does not limit or restrict the manner of calculating the finance charge whether by way of add-on, discount, discount points, single annual percentage rate, precomputed charges, variable rate, interest in advance, compounding, or otherwise, if the annual percentage rate calculated under paragraph (d) does not exceed that permitted by this section. The finance charge may be contracted for and earned at the single annual percentage rate that would earn the same finance charge as the graduated rates when the debt is paid according to the agreed terms and the finance charge is calculated under paragraph (d). If the finance charge is calculated and collected in advance, or included in the principal amount of the contract, and the borrower prepays the contract in full, the financial institution shall credit the borrower with a refund of the charge to the extent the annual percentage rate yield on the contract would exceed the annual percentage rate on the contract as originally determined under paragraph (d) and taking into account the prepayment. For the purpose of calculating the refund under this subdivision, the financial institution may assume that the contract was paid before the date of prepayment according to the schedule of payments under the contract and that all payments were paid on their due dates. For contracts repayable in substantially equal successive monthly installments, the financial institution may calculate the refund as the portion of the finance charge allocable on an actuarial basis to all wholly unexpired payment periods following the date of prepayment, based on the annual percentage rate on the contract as originally determined under paragraph (d), and for the purpose of calculating the refund may assume that all payments are made on the due date.

(d) The annual percentage rate must be calculated in accordance with 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 delinquency or default 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; or

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

Subd. 5. [EXTENSIONS AND DEFERMENTS.] The parties may agree in writing, either in the loan contract or credit sale contract or in a subsequent agreement, to a deferment of wholly unpaid installments. For precomputed loans and credit sale contracts, the manner of deferment charge shall be determined as provided for in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one-month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. If a loan or credit sale is prepaid in full during a deferment period, the financial institution shall make or credit to the borrower a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan or credit sale in full.

For the purpose of this subdivision, "applicable charge" means the amount of finance charge attributable to each monthly installment period for the loan or credit sale contract. The applicable charge is computed as if each installment period were one month and any charge for extending the first installment period beyond the one month, or reduction in charge for a first installment less than one month, is ignored. The applicable charge for any installment period is that which would have been made for the period had the loan been made on an interest-bearing basis at the single annual percentage rate provided for in the contract based upon the assumption that all payments were made according to schedule. For convenience in computation, the financial institution may round the single annual rate to the nearest one quarter of one percent.

Subd. 6. [ADDITIONAL CHARGES.] (a) In addition to the finance charges permitted by this section, a financial institution may contract for and receive the following additional charges that may be included in the amount financed:

(1) official fees and taxes;

(2) charges for insurance as described in paragraph (b);

(3) with respect to a loan or credit sale contract secured by real estate, the following "closing costs," if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section:

(i) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;

(ii) fees for preparation of a deed, mortgage, settlement statement, or other documents, if not paid to the financial institution;

(iii) escrows for future payments of taxes, including assessments for improvements, insurance, and water, sewer, and land rents;

(iv) fees for notarizing deeds and other documents; and

(v) appraisal and credit report fees;

(4) a delinquency charge on a payment, including the minimum payment due in connection with the open-end credit, not paid in full on or before the tenth day after its due date in an amount not to exceed five percent of the amount of the payment or \$5.20, whichever is greater;

(5) for a returned check or returned automatic payment withdrawal request, an amount not in excess of the service charge limitation in section 332.50; and

(6) charges for other benefits, including insurance, conferred on the borrower that are of a type that is not for credit.

(b) An additional charge may be made for insurance written in connection with the loan or credit sale contract, which may be included in the amount financed:

(1) with respect to insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, if the financial institution furnishes a clear, conspicuous, and specific statement in writing to the borrower setting forth the cost of the insurance if obtained from or through the financial institution and stating that the borrower may choose the person through whom the insurance is to be obtained;

(2) with respect to credit insurance providing life, accident, health, or unemployment coverage, if the insurance coverage is not required by the financial institution, and this fact is clearly and conspicuously disclosed in writing to the borrower, and the borrower gives specific, dated, and separately signed affirmative written indication of the borrower's desire to do so after written disclosure to the borrower of the cost of the insurance; and

(3) with respect to the vendor's single interest insurance, but only (i) to the extent that the insurer has no right of subrogation against the borrower; and (ii) to the extent that the insurance does not duplicate the coverage of other insurance under which loss is payable to the financial institution as its interest may appear, against loss of or damage to property for which a separate charge is made to the borrower according to clause (1); and (iii) if a clear, conspicuous, and specific statement in writing is furnished by the financial institution to the borrower setting forth the cost of the insurance if obtained from or through the financial institution and stating that the borrower may choose the person through whom the insurance is to be obtained.

(c) In addition to the finance charges and other additional charges permitted by this section, a financial institution may contract for and receive the following additional charges in connection with open-end credit, which may be included in the amount financed or balance upon which the finance charge is computed:

(1) annual charges, not to exceed \$50 per annum, payable in advance, for the privilege of opening and maintaining open-end credit;

(2) charges for the use of an automated teller machine;

(3) charges for any monthly or other periodic payment period in which the borrower has exceeded or, except for the financial institution's dishonor would have exceeded, the maximum approved credit limit, in an amount not in excess of the service charge permitted in section 332.50;

(4) charges for obtaining a cash advance in an amount not to exceed the service charge permitted in section 332.50; and

(5) charges for check and draft copies and for the replacement of lost or stolen credit cards.

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 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).

Subd. 8. [ATTORNEY FEES.] With respect to a loan or credit sale, the agreement may provide for payment by the borrower of the attorney fees and court costs incurred in connection with collection or foreclosure. This subdivision is not a limitation on attorney fees that may be charged to an organization.

Subd. 9. [RIGHT TO PREPAY.] The borrower or purchaser may prepay in full the unpaid balance of a consumer loan or credit sale contract, at any time without penalty.

Subd. 10. [CREDIT INSURANCE.] (a) The sale of credit insurance is subject to chapter 62B and the rules adopted under that chapter, but the term of the insurance may exceed 60 months if the loan or credit sale contract exceeds 60 months and the insurance will nevertheless be subject to chapter 62B and the rules adopted under that chapter. In case there are multiple consumers obligated under a transaction subject to this chapter, no policy or certificate or 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, 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

(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.

Subd. 11. [PROPERTY AND LIABILITY INSURANCE.] (a) Except as otherwise provided in this section and subject to the provisions on additional charges and maximum finance charges in this section, a financial institution may agree to sell, as an agent, property and liability insurance, and may contract for and receive a charge for this insurance separate from and in addition to other charges. A financial institution need not make a separate charge for the insurance provided or required by it. This section does not authorize the issuance of the insurance prohibited under any statute or rule governing the business of insurance nor does it authorize a financial institution to underwrite insurance.

(b) This section does not apply to an insurance premium loan. A financial institution may request cancellation of a policy of property or liability insurance only after the borrower's default or in accordance with a written authorization by the borrower. In either case, the cancellation does not take effect until written notice is delivered to the borrower or mailed to the borrower at the borrower's address as stated by the borrower. The notice must state that the policy may be canceled on a date not less than ten days after the notice is delivered, or, if the notice is mailed, not less than 13 days after it is mailed. A cancellation may not take effect until those notice periods expire.

Subd. 12. [CONSUMER PROTECTIONS.] (a) Financial institutions shall comply with the requirements of the federal Truth in Lending Act, United States Code, title 15, sections 1601 to 1693, in connection with a consumer loan or credit sale for a consumer purpose where the federal Truth in Lending Act is applicable.

(b) Financial institutions shall comply with the following consumer protection provisions in connection with a consumer loan or credit sale for a consumer purpose: sections 325G.02 to 325G.05; 325G.06 to 325G.11; 325G.15 to 325G.22; and 325G.29 to 325G.36, and Code of Federal Regulations, title 12, part 535, where those statutes or regulations are applicable.

(c) An assignment of a consumer's earnings by the consumer to a financial institution as payment or as security for payment of a debt arising out of a consumer loan or consumer credit sale is unenforceable by the financial institution and revocable by the consumer.

Subd. 13. [LOANS AND CONTRACTS OTHER THAN CONSUMER LOANS AND CONTRACTS.] Loans and credit sale contracts other than consumer loans and consumer credit sale contracts are not subject to the provisions and limitations of subdivisions 9, 10, 11, paragraph (b), and 12, and this section.

Subd. 14. [EFFECT OF VIOLATIONS ON RIGHTS OF PARTIES.] (a) If a financial institution has violated any provision of this section applying to collection of finance or other charges, the borrower or purchaser under a credit sale contract may recover damages and a penalty from the financial institution in an amount determined by the court but not less than \$100 nor more than \$1,000. With respect to violations arising from other than open-end credit transactions, no action may be brought according to this paragraph and no set-off or recoupment may be asserted according to this paragraph more than one year after the making of the debt.

(b) A borrower or purchaser under a credit sale contract is not obligated to pay a charge in excess of that allowed by this section and has a right of refund of any excess charge paid. A refund may not be made by reducing the borrower's or purchaser's obligation by the amount of the excess charge, unless the financial institution has notified the borrower or purchaser that the borrower or purchaser may request a refund and the borrower or purchaser has not so requested within 30 days thereafter. If the borrower or purchaser has paid an amount in excess of the lawful obligation under the agreement, the borrower or purchaser may recover the excess amount from the financial institution who made the excess charge or from an assignee of the financial institution's rights who undertakes direct collection of payments from or enforcement of rights against borrowers or purchasers arising from the debt.

(c) If a financial institution has contracted for or received a charge in excess of that allowed by this section, or if a borrower or purchaser under a credit sale contract is entitled to a refund and a person liable to the borrower or purchaser refuses to make a refund within a reasonable time after demand, the borrower or purchaser may recover from the financial institution or the person liable in an action other than a class action a penalty in an amount determined by the court but not less than \$100 nor more than \$1,000. With respect to excess charges arising from other than open-end

credit transactions, no action according to this paragraph may be brought more than one year after the making of the debt. For purposes of this paragraph, a reasonable time is presumed to be 30 days.

(d) A violation of this section does not impair rights on a debt.

(e) A financial institution is not liable for a penalty under paragraph (a) or (c) if it notifies the borrower or purchaser under a credit sale contract of a violation before the financial institution receives from the borrower or purchaser written notice of the violation or the borrower or purchaser has brought an action under this section, and the financial institution corrects the violation within 45 days after notifying the borrower or purchaser. If the violation consists of a prohibited agreement, giving the borrower or purchaser a corrected copy of the writing containing the violation is sufficient notification and correction. If the violation consists of an excess charge, correction must be made by an adjustment or refund.

(f) A financial institution may not be held liable in an action brought under this section for a violation of this section if the financial institution shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid the error.

(g) In an action in which it is found that a financial institution has violated this section, the court shall award to the borrower or the purchaser under a credit sale contract the costs of the action and to the borrower's or purchaser's attorneys their reasonable fees.

Sec. 2. [47.60] [CONSUMER SMALL LOANS.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the terms defined have the meanings given them:

(a) "Consumer small loan" is a loan transaction in which cash is advanced to a borrower for the borrower's own personal, family, or household purpose. A consumer small loan is a short-term, unsecured loan to be repaid in a single installment. The cash advance of a consumer small loan is equal to or less than \$350.

A consumer small loan includes an indebtedness evidenced by but not limited to a promissory note or agreement to defer the presentation of a personal check for a fee.

(b) "Consumer small loan lender" is a financial institution as defined in section 47.59 or a person registered with the commissioner and engaged in the business of making consumer small loans.

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:

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

(ii) 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;

(iii) 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;

(iv) 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 30 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).

(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.

Subd. 3. [FILING.] Before a person other than a financial institution as defined by section 47.59 engages in the business of making consumer small loans, the person shall file with the commissioner as a consumer small loan lender. The filing must be on a form prescribed by the commissioner together with a fee of \$150 for each place of business and contain the following information in addition to the information required by the commissioner:

(1) evidence that the filer has available for the operation of the business at the location specified, liquid assets of at least \$50,000; and

(2) a biographical statement on the principal person responsible for the operation and management of the business to be certified.

Revocation of the filing and the right to engage in the business of a consumer small loan lender is the same as in the case of a regulated lender license in section 56.09.

Subd. 4. [BOOKS OF ACCOUNT; ANNUAL REPORT; SCHEDULE OF CHARGES; DISCLOSURES.] (a) A lender filing under subdivision 3 shall keep and use in the business books, accounts, and records as will enable the commissioner to determine whether the filer is complying with this section.

(b) A lender filing under subdivision 3 shall annually on or before March 15 file a report to the commissioner giving the information the commissioner reasonably requires concerning the business and operations during the preceding calendar year.

(c) A lender filing under subdivision 3 shall display prominently in each place of business a full and accurate schedule, to be approved by the commissioner, of the charges to be made and the method of computing those charges; furnish a copy of the contract of loan to a person obligated on it or who may become obligated on it at any time upon the request of that person. This is in addition to any disclosures required by the federal Truth in Lending Act, United States Code, title 15.

(d) Upon repayment of the loan in full, mark indelibly every obligation signed by the borrower with the word "Paid" or "Canceled" within 20 days after repayment.

Subd. 5. [COMPLAINTS ALLEGING VIOLATION.] A person obligated to or having been obligated to a consumer small loan lender filing under subdivision 3 and having reason to believe that this section has been violated may file with the commissioner a written complaint setting forth the details of the alleged violation. The commissioner, upon receipt of the complaint, may inspect the pertinent books, records, letters, and contracts of the lender and borrower involved. The commissioner may assess against the lender a fee covering the necessary costs of an investigation under this section. The commissioner may maintain an action for the recovery of the costs in a court of competent jurisdiction.

Subd. 6. [PENALTIES FOR VIOLATION.] A person or the person's members, officers, directors, agents, and employees who violate or participate in the violation of any of the provisions of this section may be liable in the same manner as in section 56.19.

Sec. 3. Minnesota Statutes 1994, section 48.194, is amended to read:

48.194 [INSTALLMENT SALES CONTRACTS; LOANS.]

A person may enter into a credit sale or service contract for sale to a state or national bank

doing business in this state, and a bank may purchase and enforce the contract under the terms and conditions set forth in section ~~51A.385, subdivisions 2 and 5 to 13~~ 47.59, subdivisions 2 and 4 to 14. A state bank or national bank may extend credit pursuant to the terms and conditions set forth in section ~~51A.385~~ 47.59.

Sec. 4. 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. 5. 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~~ 47.59 if made for actual unanticipated late payment, delinquency, default, or other similar occurrence, and a charge for an extension or deferment under section 47.59, unless the parties agree that these charges are finance charges;

(2) any additional charge under section ~~51A.385~~ 47.59, subdivision 5 6; or

(3) a discount, if an association purchases a contract evidencing a contract 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. 6. 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 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 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.

Sec. 7. Minnesota Statutes 1994, section 51A.19, subdivision 9, is amended to read:

Subd. 9. [MAINTENANCE OF LOAN AND INVESTMENT RECORDS.] Every association shall maintain complete loan and investment records, and shall do so in a manner satisfactory to the commissioner. Detailed records necessary to make determinations of compliance by an association with the requirements of sections 47.59 and 51A.35 to ~~51A.385~~ 51A.386, and other provisions of sections 51A.01 to 51A.57 shall be maintained consistently and at all times, the record of each real estate loan or other secured loan or investment containing documentation to the satisfaction of the commissioner of the type, adequacy, and complexion of the security.

Sec. 8. [51A.386] [TERMS AND CONDITIONS OF LOANS, CONTRACTS, AND EXTENSIONS OF CREDIT.]

Subdivision 1. [APPLICATION.] Except as otherwise provided in this section, this section applies to loans made and contracts purchased by federal and state associations, and "association" as used in this section applies to federal and state associations.

Subd. 2. [FINANCE CHARGE FOR CREDIT SALES MADE BY A THIRD PARTY.] A person may enter into a credit sale contract for sale to an association and an association may purchase and enforce a contract evidencing the sale, if the annual percentage rate provided for in the contract does not exceed that permitted in section 47.59 or, in the case of contracts governed by sections 168.66 to 168.77, the rates permitted by those sections.

Subd. 3. [FINANCE CHARGE FOR LOANS.] An association may make loans and extend credit at the rates and on the terms provided for in section 47.59.

Subd. 4. [ADDITIONAL AUTHORITY.] Extensions of credit, and purchases of extensions of credit, authorized by sections 47.20, subdivision 1, 3, or 4a; 47.204; 47.21; 47.58; 47.60; 47.69; 48.153; 48.185; 48.195; 59A.01 to 59A.15; 168.66 to 168.77; 334.01; 334.011; and 334.012 may, but need not, be made according to those sections in lieu of the authority set forth in subdivisions 1 to 3, and if so, are subject to those sections, and not this section, except this subdivision. An association may also charge an organization a 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 association elects to make under section 334.01; 334.011; or 334.012, the provisions of chapter 334 do not apply to extensions of credit made according to this section or the sections mentioned in this subdivision.

Subd. 5. [ADDITIONAL CHARGES.] In addition to the finance charges permitted by this section, an association, or a person described in subdivision 2, to the extent not otherwise prohibited by law, may contract for and receive the additional charges that may be included in the amount financed provided for in section 47.59.

Sec. 9. Minnesota Statutes 1994, section 51A.50, is amended to read:

51A.50 [FEDERAL ASSOCIATIONS.]

The following sections apply to federal associations, except to the extent they are inconsistent with federal law or regulations: sections 47.59; 51A.01; 51A.02; 51A.065; 51A.15, subdivision 6; 51A.21, subdivisions 6a, 15, 16, 22, 25, 27, and 28; 51A.23, subdivision 1; 51A.24; 51A.251; 51A.261; 51A.262; 51A.27; 51A.28; 51A.29; 51A.30; 51A.31; 51A.37, subdivisions 1, 2, 3, paragraphs (a), (c), (d), 4, 5, 6, 7, 8, 9, 10, 11, and 12; 51A.38; ~~51A.385~~ 51A.386; 51A.40; 51A.50; 51A.52; 51A.56; and 51A.57.

Sec. 10. Minnesota Statutes 1994, section 52.04, subdivision 2a, is amended to read:

Subd. 2a. A person may enter into a credit sale or service contract for sale to a state or federal credit union doing business in this state, and a credit union may purchase and enforce the contract under the terms and conditions set forth in section ~~51A.385~~ 47.59, subdivisions 2 4 and 5 6 to 13 14.

Sec. 11. Minnesota Statutes 1994, section 53.04, subdivision 3a, is amended to read:

Subd. 3a. (a) The right to make loans, secured or unsecured, at the rates and on the terms and other conditions permitted licensees under chapter 56. ~~Loans made under the authority of section 56.125 in section 47.59. Loans made under this authority must be in amounts in compliance with section 53.05, clause (7). All other loans made under the authority of chapter 56 must be in amounts in compliance with section 53.05, clause (7), or 56.131, subdivision 1, paragraph (a), whichever is less. The right to extend credit or lend money and to collect and receive charges therefor as provided by chapter 334, or in lieu thereof to charge, collect, and receive interest at the rate of 21.75 percent per annum, including the right to contract for, charge, and collect all other charges including discount points, fees, late payment charges, and insurance premiums on the loans to the same extent permitted on loans made under the authority of chapter 56, regardless of the amount of the loan. The provisions of sections 47.20 and 47.21 do not apply to loans made under this subdivision, except as specifically provided in this subdivision. Nothing in this subdivision is deemed to supersede, repeal, or amend any provision of section 53.05. A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.~~

(b) Loans made under this subdivision at a rate of interest not in excess of that provided for in paragraph (a) may be secured by real or personal property, or both. If the proceeds of a loan secured by a first lien on the borrower's primary residence are used to finance the purchase of the borrower's primary residence, the loan must comply with the provisions of section 47.20.

(c) A loan made under this subdivision that is secured by real estate and that is in a principal amount of \$7,500 or more and a maturity of 60 months or more may contain a provision

permitting discount points, if the loan does not provide a loan yield in excess of the maximum rate of interest permitted by this subdivision. ~~Loan yield means the annual rate of return obtained by a licensee computed as the annual percentage rate is computed under Federal Regulation Z. If the loan is prepaid in full, the licensee must make a refund to the borrower to the extent that the loan yield will exceed the maximum rate of interest provided by this subdivision when the prepayment is taken into account.~~

(d) An agency or instrumentality of the United States government or a corporation otherwise created by an act of the United States Congress or a lender 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, that engages in the business of purchasing or taking assignments of mortgage loans and undertakes direct collection of payments from or enforcement of rights against borrowers arising from mortgage loans, is not required to obtain a certificate of authorization under this chapter in order to purchase or take assignments of mortgage loans from persons holding a certificate of authorization under this chapter.

Sec. 12. Minnesota Statutes 1994, section 53.04, subdivision 3c, is amended to read:

Subd. 3c. The right to extend credit and make loans under ~~chapter 51A~~ sections 47.59 and 47.60 on the same terms and subject to the same conditions as apply to other lenders under ~~that chapter~~ those sections. This subdivision does not authorize an industrial loan and thrift company to make loans under a credit card or an overdraft checking plan.

Sec. 13. Minnesota Statutes 1994, section 53.04, subdivision 4a, is amended to read:

Subd. 4a. [DISCLOSURE, AUTHORIZED INTEREST, AND OTHER CHARGES.] The documentation of loans made pursuant to this section must include in the promissory note clear reference to the provisions of Minnesota Statutes under which the rate of interest and other charges are authorized. The references must be to the ~~chapter number in the case of this chapter or chapter 56, or to the particular section or sections in the case of chapter 47 or 334. On loans made under the authority of subdivision 3a and not under the authority of chapter 334, other charges including discount points, fees, late payment charges, and insurance premiums not specifically authorized by this chapter or any other state statute are controlled by chapter 56.~~

Sec. 14. Minnesota Statutes 1994, section 53.04, subdivision 5a, is amended to read:

Subd. 5a. A person may enter into a credit sale or service contract for sale to an industrial loan and thrift company operating under this chapter in this state, and an industrial loan and thrift company may purchase and enforce the contract under the terms and conditions set forth in section ~~51A.385, subdivisions 2 and 5 to 13~~ 47.59, subdivisions 2 and 4 to 14.

Sec. 15. Minnesota Statutes 1994, section 56.125, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] A licensee may make open-end loans under this chapter other than loans under ~~a credit card or an overdraft checking plan~~ and may charge a daily, monthly, or other periodic rate of finance charge on unpaid balances not in excess of the maximum rate of interest permitted by section 56.131, subdivision 1, paragraph (a), ~~elause (2) under section 47.59, subdivision 3, paragraph (a), clause (1).~~ For purposes of this section "open-end loan" means an agreement whereby: (1) the licensee pursuant to written agreement permits the borrower to obtain advances of money from the licensee from time to time or the licensee advances money on behalf of the borrower from time to time as directed by the borrower; (2) the borrower has the option of paying the balance in full at any time without penalty; (3) the amount of each advance and permitted charges and costs are debited to the borrower's account and payments and other credits are credited to the same account; and (4) the charges are computed on the unpaid principal balance of the account from time to time. A finance charge imposed on a transaction subject to this section must be computed on: (1) the previous balance after deducting all payments on accounts received by the licensee during the cycle and all credits to the account during the cycle applicable to any transaction reflected in the previous balance; (2) the average daily balance determined by adding the daily balances on the account for each day in the billing cycle and dividing the total by the number of days in the billing cycle; or (3) daily balances. The

daily balance is figured by taking the beginning balance of the account each day, adding any new advances, subtracting any principal payments or credits, and any unpaid interest. The average daily balance is calculated by adding together all of the daily balances for the billing cycle, and the sum is then divided by the total number of days in the billing cycle. A billing cycle is considered to be monthly if the billing dates are on the same day of each month or do not vary by more than four days from that day. If a licensee makes loans under a credit card plan, it may do so only on the same terms and subject to the same conditions as apply to lenders under section 47.59.

Sec. 16. Minnesota Statutes 1994, section 56.125, subdivision 3, is amended to read:

Subd. 3. [CHARGES.] In addition to the charges authorized in subdivision 1, a licensee may contract for and receive in connection with an open-end loan agreement the additional charges, fees, costs, and expenses with respect to the line of credit limit permitted by sections 47.59, subdivisions 5 and 6, paragraph (a), clause (4); 56.131, subdivisions 1, paragraph (f), clauses (4) and (5); 2, 5, and 6; and 56.155 with respect to other loans, with the following variations:

(1) If credit life, disability, or involuntary unemployment insurance is provided and if the insured dies, becomes disabled, or becomes involuntarily unemployed when there is an outstanding open-end loan indebtedness, the amount of the insurance may not exceed the total balance of the loan due on the date of the borrower's death or on the date of the last billing statement in the case of credit life insurance, or all minimum payments which become due on the loan during the covered period of disability in the case of credit disability insurance, or during the covered period of involuntary unemployment in the case of credit involuntary unemployment insurance. The additional charge for credit life insurance, credit disability insurance, or credit involuntary unemployment insurance must be calculated in each billing cycle by applying the current monthly premium rate for the insurance to the unpaid balances in the borrower's account.

(2) The amount, terms, and conditions of any credit insurance against loss or damage to property must be reasonable in relation to the character and value of the property insured.

Sec. 17. Minnesota Statutes 1994, section 56.131, subdivision 1, is amended to read:

Subdivision 1. [INTEREST RATES AND CHARGES.] (a) On any loan in a principal amount not exceeding ~~\$35,000~~ \$56,000 or 15 percent of a Minnesota corporate licensee's capital stock and surplus as defined in section 53.015, if greater, a licensee may contract for and receive interest, ~~calculated according to the actuarial method, not exceeding the equivalent of the greater of any of the following:~~

~~(1) the total of: (i) 33 percent per year on that part of the unpaid balance of the principal amount not exceeding \$750; and (ii) 19 percent per year on that part of the unpaid balance of the principal amount exceeding \$750; or~~

~~(2) 21.75 percent per year on the unpaid balance of the principal amount~~ finance charges, and other charges as provided in section 47.59.

~~(b) On any loan where interest has been calculated according to the method provided for in paragraph (a), clause (1), interest must be contracted for and earned as provided in that provision or at the single annual percentage rate computed to the nearest 1/100 of one percent that would earn the same total interest at maturity of the contract as would be earned by the application of the graduated rates provided in paragraph (a), clause (1), when the debt is paid according to the agreed terms and the calculations are made according to the actuarial method.~~

~~(c)~~ (b) Loans may be interest-bearing or precomputed.

~~(d)~~ (c) Notwithstanding section 47.59 to the contrary, to compute time on interest-bearing and precomputed loans, including, but not limited to the calculation of interest, a day is considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month.

In the alternative, for interest-bearing loans, a licensee may charge interest at the rate of 1/365 of the agreed annual rate for each actual day elapsed.

(e) (d) With respect to interest-bearing loans and notwithstanding section 47.59:

(1) Interest must be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment must be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance.

(2) Interest must not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the new loan contract may include any unpaid interest which has accrued. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in paragraph (f) (e), clause (3). The resulting loan contract is deemed a new and separate loan transaction for all purposes.

(f) (e) With respect to precomputed loans and notwithstanding section 47.59 to the contrary:

(1) Loans must be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be more or less than one month by not more than 15 days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days and must be reduced by the amount of interest for the number of days less than one month to the first installment payment; and monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until the loan is fully paid. Payments must be applied in the order in which they become due.

(3) ~~When any loan contract is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date, a licensee shall refund or credit the borrower with the total of the applicable charges for all fully unexpired installment periods, as originally scheduled or as deferred, which follow the day of prepayment; if the prepayment is made other than on a scheduled payment date, the nearest scheduled installment payment date must be used in the computation; provided further, if the prepayment occurs prior to the first installment due date, the licensee may retain 1/30 of the applicable charge for a first installment period of one month for each day from the date of the loan to the date of prepayment, and shall refund or credit the borrower with the balance of the total interest contracted for. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgment is entered.~~

(4) ~~If an installment, other than the final installment, is not paid in full within ten days of its scheduled due date, a licensee may contract for and receive a default charge not exceeding five percent of the amount of the installment, but not less than \$4.~~

~~A default charge under this subdivision may not be collected on an installment paid in full within ten days of its scheduled due date, or deferred installment due date with respect to deferred installments, even though a default or deferral charge on an earlier installment has not been paid in full. A default charge may be collected at the time it accrues or at any time thereafter.~~

(5) ~~If the parties agree in writing, either in the loan contract or in a subsequent agreement, to a deferment of wholly unpaid installments, a licensee may grant a deferment and may collect a deferment charge as provided in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. Should a loan be prepaid in full during a deferment period, the licensee shall make or credit to the borrower a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan in full.~~

(6) (4) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the single annual percentage rate permitted by this subdivision may be charged on the unpaid balance until fully paid.

(7) (5) Following the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under clause (6) (4), may charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the single annual percentage rate permitted by this subdivision until fully paid.

(8) (6) With respect to a loan secured by an interest in real estate, and having a maturity of more than 60 months, the original schedule of installment payments must fully amortize the principal and interest on the loan. The original schedule of installment payments for any other loan secured by an interest in real estate must provide for payment amounts that are sufficient to pay all interest scheduled to be due on the loan.

Sec. 18. Minnesota Statutes 1994, section 56.131, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL CHARGES.] In addition to the charges provided for by this section and section 56.155, and notwithstanding section 47.59, subdivision 5, to the contrary, no further or other amount whatsoever, shall be directly or indirectly charged, contracted for, or received for the loan made, except actual out of pocket expenses of the licensee to realize on a security after default, and except for the following additional charges which may be included in the principal amount of the loan:

- (a) lawful fees and taxes paid to any public officer to record, file, or release security;
- (b) with respect to a loan secured by an interest in real estate, the following closing costs, if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section; provided the costs do not exceed one percent of the principal amount or ~~\$250~~ \$400, whichever is greater:
- (1) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;
- (2) fees, if not paid to the licensee, an employee of the licensee, or a person related to the licensee, for preparation of a mortgage, settlement statement, or other documents, fees for notarizing mortgages and other documents, and appraisal fees;
- (c) the premium for insurance in lieu of perfecting and releasing a security interest to the extent that the premium does not exceed the fees described in paragraph (a);
- (d) discount points and appraisal fees may not be included in the principal amount of a loan secured by an interest in real estate when the loan is a refinancing for the purpose of bringing the refinanced loan current and is made within 24 months of the original date of the refinanced loan. For purposes of this paragraph, a refinancing is not considered to be for the purpose of bringing the refinanced loan current if new funds advanced to the customer, not including closing costs or delinquent installments, exceed \$1,000.

Sec. 19. Minnesota Statutes 1994, section 56.132, is amended to read:

56.132 [INSTALLMENT SALES CONTRACTS.]

A person may enter into a credit sale or service contract for sale to a licensee under this chapter doing business in this state, and a licensee may purchase and enforce the contract under the terms and conditions set forth in section ~~51A.385, subdivisions 2 and 5 to 13~~ 47.59, subdivisions 2 and 4 to 14.

Sec. 20. Minnesota Statutes 1994, section 56.155, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] Notwithstanding section 47.59 to the contrary, no

licensee shall, directly or indirectly, sell or offer for sale any insurance in connection with any loan made under this chapter except as and to the extent authorized by this section. The sale of credit life, credit accident and health, and credit involuntary unemployment insurance is subject to the provisions of chapter 62B, except that the term of the insurance may exceed 60 months if the term of the loan exceeds 60 months. Life, accident, health, and involuntary unemployment insurance, or any of them, may be written upon or in connection with any loan but must not be required as additional security for the indebtedness. If the debtor chooses to procure credit life insurance, credit accident and health insurance, or credit involuntary unemployment insurance as security for the indebtedness, the debtor shall have the option of furnishing this security through existing policies of insurance that the debtor owns or controls, or of furnishing the coverage through any insurer authorized to transact business in this state. A statement in substantially the following form must be made orally, except for loans by mail pursuant to section 56.12, and provided in writing in bold face type of a minimum size of 12 points to the borrower before the transaction is completed for each credit life, accident and health, and involuntary unemployment insurance coverage sold:

CREDIT LIFE INSURANCE, CREDIT DISABILITY INSURANCE, AND CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE ARE NOT REQUIRED TO OBTAIN CREDIT. YOU MAY BUY ANY INSURANCE FROM ANYONE YOU CHOOSE OR YOU MAY USE EXISTING INSURANCE.

The licensee shall disclose whether or not the benefits commence as of the first day of disability or involuntary unemployment and shall further disclose the number of days that an insured obligor must be disabled or involuntarily unemployed, as defined in the policy, before benefits, whether retroactive or nonretroactive, commence. In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit unemployment benefits may be procured by or through a licensee upon more than one of the obligors. In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit accident and health or credit life insurance may be procured by or through a licensee upon more than two of the obligors in which case they shall be insured jointly. The premium or identifiable charge for the insurance must not exceed that filed by the insurer with the department of commerce. The charge, computed at the time the loan is made for a period not to exceed the full term of the loan contract on an amount not to exceed the total amount required to pay principal and charges, may be deducted from the proceeds or may be included as part of the principal of any loan. If a borrower procures insurance by or through a licensee, the statement required by section 56.14 must disclose the cost to the borrower and the type of insurance, and the licensee shall cause to be delivered to the borrower a copy of the policy, certificate, or other evidence thereof, within a reasonable time. No licensee shall decline new or existing insurance which meets the standards set out in this section nor prevent any obligor from obtaining this insurance coverage from other sources. Notwithstanding any other provision of this chapter, any gain or advantage to the licensee or to any employee, affiliate, or associate of the licensee from this insurance or the sale or provision thereof is not an additional or further charge in connection with the loan; nor are any of the provisions pertaining to insurance contained in this section prohibited by any other provision of this chapter.

Sec. 21. 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 or scheduled amount of their indebtedness except that section 62B.04, subdivision 1, clause (2), may be applied. 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 not to exceed the 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. If the mortgage loan provides for a variable rate of finance charge or interest, the initial rate shall be used in determining the scheduled amount of indebtedness.

Sec. 22. Minnesota Statutes 1994, section 325F.91, subdivision 2, is amended to read:

Subd. 2. ~~[CASH PRICE LIMITS—RULES, DECEPTIVE TRADE PRACTICE.]~~ The ~~commissioner of commerce shall adopt rules governing cash price limits for rental-purchase agreements. Notwithstanding section 14.18, the rules are effective 45 working days after the notice of adoption is published in the State Register.~~ (a) It is an unlawful and deceptive trade practice for a lessor to disclose as the "cash price" of the merchandise under section 325F.86, paragraph (k), an amount that is 150 percent or more of the fair market value of the goods.

Disclosure of the cash price stated in a rental-purchase agreement materially fails to be the equivalent of the fair market value of the goods offered and is considered to be a deceptive trade practice if:

(1) the personal property that is the subject of a rental-purchase agreement with terms providing for the acquisition of ownership of the property by the lessee is available for retail sale on a cash basis at locations within 50 miles of the lessor location at which the agreement was entered into;

(2) the personal property available for retail sale under clause (1) is substantially the same in terms of model equipment and the same manufacturer at the date of the agreement or no more than 60 days after that date; and

(3) the personal property was generally advertised to the public at retail cash price of less than 50 percent of the cash price in the agreement.

(b) A person violating this subdivision is subject to the penalties and remedies in section 325F.97 and the 60 days prescribed in paragraph (a), clause (2), do not limit the time within which a claim or action may be brought to an agreement under generally applicable law.

Sec. 23. [334.171] [DELINQUENCY AND COLLECTION CHARGE.]

If an open end credit plan, agreement, or arrangement between the buyer and seller so provides, a seller or holder may collect a delinquency and collection charge on each installment in arrears for a period of not less than ten days in an amount not in excess of any such charge which may be imposed on residents of this state by any institution defined in subsection (c)(2)(F) of section 101(a) of the Competitive Equality Amendments of 1987 to the Bank Holding Company Act of 1956, United States Code, title 12, section 1841(c)(2)(F), by any national banking association pursuant to section 85 of the National Bank Act of 1864, United States Code, title 12, section 85, or by any state chartered insured depository institution pursuant to section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980, United States Code, title 12, section 1813d(a).

Sec. 24. [REPEALER.]

Minnesota Statutes 1994, section 51A.385, is repealed.

ARTICLE 4

INTERSTATE MARKET DEVELOPMENT AND FEDERALIZATION OF INTERSTATE BANKING

Section 1. Minnesota Statutes 1994, section 46.048, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT.] Whenever a change in the outstanding voting stock of a banking institution will result in control or in a change in the control of the banking institution, the person acquiring control of the banking institution, including an out-of-state bank holding company, shall file notice of the proposed acquisition of control with the commissioner of commerce at least 60 days before the actual effective date of the change, except that the commissioner may extend the 30-day period an additional 30 days if in the commissioner's judgment any material information submitted is substantially inaccurate or the acquiring party has

not furnished all the information required. As used in this section, the term "control" means the power to directly or indirectly direct or cause the direction of the management or policies of the banking institution. A change in ownership of capital stock that would result in direct or indirect ownership by a stockholder or an affiliated group of stockholders of less than 25 percent of the outstanding capital stock is not considered a change of control. If there is any doubt as to whether a change in the outstanding voting stock is sufficient to result in control or to effect a change in the control, the doubt shall be resolved in favor of reporting the facts to the commissioner. The commissioner shall use the criteria established by the Financial Institution Regulatory and Interest Rate Control Act of 1978, United States Code, title 12, section 1817(j), and the regulations adopted under it, when reviewing the acquisition and determining if the acquisition should or should not be disapproved. Within three days after making the decision to disapprove a proposed acquisition, the commissioner shall notify the acquiring party in writing of the disapproval. The notice must provide a statement of the basis for the disapproval.

Sec. 2. Minnesota Statutes 1994, section 46.048, is amended by adding a subdivision to read:

Subd. 2a. [CONTENTS.] The notice required by subdivision 1 must contain the following information to the extent that it is known by the person making the notice:

(1) the identity, personal history, business background, and experience of each person by whom or on whose behalf the acquisition is to be made, including the person's material business activities and affiliations during the past five years, and a description of any material pending legal or administrative proceedings in which the person is a party and any criminal indictment or conviction of that person by a state or federal court;

(2) a statement of the assets and liabilities of each person by whom or on whose behalf the acquisition is to be made, as of the end of the fiscal year for each of the five years immediately preceding the date of the notice, together with related statements of income, sources, and application of funds for each of the fiscal years then concluded, all prepared in accordance with generally accepted accounting principles consistently applied, and an interim statement of the assets and liabilities for each person, together with related statements of income, source, and application of funds as of a date not more than 90 days before the date of the filing of the notice;

(3) the terms and conditions of the proposed acquisition and the manner in which the acquisition is to be made;

(4) the identity, source, and amount of the funds or other consideration to be used in making the acquisition, and if any part of these funds or other consideration has been or is to be borrowed or otherwise obtained for the purpose of making the acquisition, a description of the transaction, the names of the parties, and any arrangements, agreements, or understandings with those persons;

(5) any plans or proposals that an acquiring party making the acquisition may have to liquidate the bank, to sell its assets or merge it, or make any other major change in its business or corporate structure or management;

(6) the identification of any person employed, retained, or to be compensated by the acquiring party, or by any person on the acquiring party's behalf, to make solicitations or recommendations to stockholders for the purpose of assisting in the acquisition, and a brief description of the terms of the employment, retainer, or arrangement for compensation;

(7) copies of all invitations, tenders, or advertisements making tender offers to stockholders for purchase of their stock to be used in connection with the proposed acquisition; and

(8) any additional relevant information in the form the commissioner requires by rule or by specific request in connection with any particular notice.

Sec. 3. Minnesota Statutes 1994, section 46.048, is amended by adding a subdivision to read:

Subd. 2b. [NOTICE.] Upon the filing of an application:

(1) an applicant shall publish in a newspaper of general circulation notice of the proposed acquisition in a form acceptable to the commissioner; and

(2) the commissioner shall accept public comment on an application for a period of not less than 30 days from the date of the final publication required by clause (1).

Sec. 4. Minnesota Statutes 1994, section 46.048, is amended by adding a subdivision to read:

Subd. 3a. [HEARINGS.] Within ten days of receipt of notice of disapproval according to subdivision 1, the acquiring party may request an agency hearing on the proposed acquisition. At the hearing, all issues must be determined on the record according to chapter 14 and the rules issued by the department. At the conclusion of the hearing, the commissioner shall by order approve or disapprove the proposed acquisition on the basis of the record made at the hearing.

Sec. 5. Minnesota Statutes 1994, 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 not more than five detached facilities provided the facilities are located within the municipality in which the principal office of the applicant bank is located; or within 5,000 feet of its principal office measured in a straight line from the closest points of the closest structures involved; or within 100 miles of its principal office measured in a straight line from the closest points of the closest structures involved, if the detached facility is within any municipality in which no bank is located at the time of application or if the detached facility is in a municipality having a population of more than 10,000, or if the detached facility is located in a municipality having a population of 10,000 or less, as determined 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) Any bank is allowed, in addition to other facilities, one drive-in or walk-up facility located between 150 to 1,500 feet of the main banking house or within 1,500 feet from a detached facility. The drive-in or walk-up facility permitted by this clause is subject to paragraph (b) and section 47.53.

(d) A bank whose home state is Minnesota as defined in section 48.92 is allowed, in addition to other facilities, to establish and operate a de novo detached facility in a location in the host states of Iowa, North Dakota, South Dakota, and Wisconsin not more than 30 miles from its principal office measured in a straight line from the closest points of the closest structures involved and subject to requirements of sections 47.54 and 47.561 and the following additional requirements and conditions:

(1) there is in effect in the host state a law, rule, or ruling that permits Minnesota home state banks to establish de novo branches in the host state under conditions substantially similar to those imposed by the laws of Minnesota as determined by the commissioner; and

(2) there is in effect a cooperative agreement between the home and host state banking regulators to facilitate their respective regulation and supervision of the bank including the coordination of examinations.

Sec. 6. Minnesota Statutes 1994, section 47.78, is amended to read:

47.78 [CONTRACTS TO ACCEPT AND RECEIVE DEPOSITS-HONOR AND PAY WITHDRAWALS.]

(a) Notwithstanding any other law to the contrary, a financial institution, the "customer institution," may contract with another financial institution, the "service institution," to grant the service institution the authority to render services to the customer institution's depositors, borrowers or other customers, provided notice of the proposed contract is given to the commissioner and the commissioner does not object to the contract within 30 days of the notice.

(b) For purposes of this section: "Financial institution" means a national banking association, federal savings and loan association, or federal credit union having its main office in this state, or a bank, savings bank, savings and loan association or credit union established and operating under the laws of this state; and "services" means accepting and receiving deposits, honoring and paying withdrawals, issuing money orders, cashiers' checks, and travelers' checks or similar instruments, cashing checks or drafts, receiving loan payments, receiving or delivering cash and instruments and securities, disbursing loan proceeds by machine, and any other transactions authorized by section 47.63.

The term also includes a bank subsidiary of a bank holding company or affiliated savings association to the extent agency activities are permitted under section 18 of the Federal Deposit Insurance Act, United States Code, title 12, section 1828, as amended, effective September 29, 1995, and title I, Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

(c) A contract entered into pursuant to this section may include authority to conduct transactions at or through any principal office, branch, or detached facility of either financial institution which is a party to the contract, and the service institution is not considered a branch of the customer institution for purposes of section 48.34.

Sec. 7. Minnesota Statutes 1994, section 48.90, subdivision 1, is amended to read:

Subdivision 1. [SEVERABILITY.] It is the express intention of the Minnesota legislature to act pursuant to the United States Code, title 12, section 1842(d) ~~to provide an orderly transition to interstate banking by initially permitting limited interstate banking on a regional basis, as amended by title I of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 to provide for interstate banking on a nationwide basis and to preserve certain state law, policy, and practices.~~ Therefore, notwithstanding the provisions of section 645.20, if any provision of ~~Laws 1986, chapter 339, other than Laws 1986, chapter 339, sections 1 to 3, and 14; this act providing for the supervisory powers of the commissioner or limiting expansion into this state to by bank holding companies located in other states defined as "reciprocating states" is determined by final, nonappealable order of any Minnesota or federal court of competent jurisdiction to be invalid or unconstitutional, Laws 1986, chapter 339, this act is null and void and of no further force and effect from the effective date of the final determination.~~

Sec. 8. Minnesota Statutes 1994, section 48.91, is amended to read:

48.91 [TITLE.]

~~Laws 1986, chapter 339~~ Section 48.90 may be cited as the "reciprocal interstate banking act."

Sec. 9. Minnesota Statutes 1994, section 48.92, subdivision 2, is amended to read:

Subd. 2. [CONTROL.] "Control," means, with respect to a bank holding company, bank, or bank to be organized pursuant to chapters 46, 47, 48, and 300, ~~(1) the ownership, directly or indirectly or acting through one or more other persons, control of or the power to vote 25 percent or more of any class of voting securities; (2) control in any manner over the election of a majority of the directors; or (3) the power to exercise, directly or indirectly, a controlling influence over management and policies~~ is defined in section 46.048, subdivision 1.

Sec. 10. Minnesota Statutes 1994, section 48.92, subdivision 6, is amended to read:

Subd. 6. [LOCATED IN THIS HOME STATE.] "Located in this Home state" means: (1) a bank whose organizational certificate identifies an address in this state as the principal place of conducting the business of banking; or (2) a bank holding company as defined in the Bank Holding Company Act of 1956, as amended, with banking subsidiaries, the majority of whose deposits are in Minnesota. with respect to a national bank, the state in which the main office of the bank is located; (2) with respect to a state bank, the state by which the bank is chartered; and (3) with respect to a bank holding company, the state in which the total deposits of all banking subsidiaries of the company are the largest on the later of (i) July 1, 1996, or (ii) the date on which the company becomes a bank holding company under the Bank Holding Company Act of 1956, as amended, United States Code, title 12, section 1842.

Sec. 11. Minnesota Statutes 1994, section 48.92, subdivision 7, is amended to read:

Subd. 7. [RECIPROCATING HOST STATE.] "~~Reciprocating Host state~~" is a state that ~~authorizes the acquisition, directly or indirectly, or control of, banks in that state by a bank or bank holding company located in this state under conditions substantially similar to those imposed by the laws of Minnesota as determined by the commissioner, other than the home state of the bank holding company, in which the company controls, or seeks to control, a bank subsidiary.~~

Sec. 12. Minnesota Statutes 1994, section 48.92, subdivision 8, is amended to read:

Subd. 8. [RECIPROCATING STATE OUT-OF-STATE BANK HOLDING COMPANY.] "~~Reciprocating state Out-of-state bank holding company~~" means a bank holding company as defined in the Bank Holding Company Act of 1956, as amended, whose operations are principally conducted in a ~~reciprocating home state other than Minnesota and is that state in which the operations of its banking subsidiaries are the largest in terms of total deposits.~~

Sec. 13. Minnesota Statutes 1994, section 48.92, subdivision 9, is amended to read:

Subd. 9. [INTERSTATE BANK HOLDING COMPANY.] "Interstate bank holding company" means (a) a bank holding company ~~located in this state, whose home state is Minnesota and is engaging in interstate banking under reciprocal legislation, and (b) a reciprocating state an out-of-state bank holding company engaged in banking in this state, and (c) other out-of-state bank holding companies operating an institution located in this state having deposits insured by the Federal Deposit Insurance Corporation.~~

Sec. 14. Minnesota Statutes 1994, section 48.92, is amended by adding a subdivision to read:

Subd. 11. [OUT-OF-STATE BANK.] "Out-of-state bank" means a bank whose home state is other than Minnesota.

Sec. 15. Minnesota Statutes 1994, section 48.93, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION.] ~~A reciprocating state~~ An out-of-state bank holding company may, through a purchase of stock or assets of a bank, or through a purchase of stock or assets of or merger with a bank holding company, acquire an interest control in an existing bank or banks ~~located in this whose home state is Minnesota if it meets the conditions in this section, sections 46.047 and 46.048 and, if the interest will result in control of the bank or banks, it files an application in writing with the commissioner on forms provided by the department. The commissioner, upon receipt of the application, shall act upon it within 30 days of the end of the public comment period provided by section 48.98, and, unless the proposed acquisition is disapproved within that period of time, it becomes effective without approval in the manner provided for in sections 46.047 and 46.048, except that the commissioner may extend the 30 day 60-day period an additional 30 days if in the commissioner's judgment any material information submitted is substantially inaccurate or the acquiring party has not furnished all the information required by subdivision 3 law, rule, or the commissioner. No application for approval required by this section is complete unless accompanied by an application fee of \$5,000 payable to the state treasurer. Compliance with the requirements of this section satisfies the requirements of section 48.03, subdivision 4. Within three days after making the decision to disapprove any proposed acquisition, the commissioner shall notify the acquiring party in writing of the disapproval. The notice must provide a statement of the basis for the disapproval.~~

Sec. 16. Minnesota Statutes 1994, section 48.93, subdivision 3, is amended to read:

Subd. 3. [CRITERIA FOR APPROVAL.] Except as otherwise provided by rule of the department, an application filed pursuant to subdivision 1 must contain the following information: required by sections 46.047 and 46.048;

(1) ~~the identity, personal history, business background, and experience of each person by whom or on whose behalf the acquisition is to be made, including the person's material business activities and affiliations during the past five years, and a description of any material pending legal or administrative proceedings in which the person is a party and any criminal indictment or conviction of that person by a state or federal court;~~

(2) ~~a statement of the assets and liabilities of each person by whom or on whose behalf the acquisition is to be made, as of the end of the fiscal year for each of the five years immediately~~

~~preceding the date of the notice, together with related statements of income, sources, and application of funds for each of the fiscal years then concluded, all prepared in accordance with generally accepted accounting principles consistently applied, and an interim statement of the assets and liabilities for each person, together with related statements of income, source, and application of funds as of a date not more than 90 days prior to the date of the filing of the notice;~~

~~(3) the terms and conditions of the proposed acquisition and the manner in which the acquisition is to be made;~~

~~(4) the identity, source, and amount of the funds or other consideration to be used in making the acquisition, and if any part of these funds or other consideration has been or is to be borrowed or otherwise obtained for the purpose of making the acquisition, a description of the transaction, the names of the parties, and any arrangements, agreements, or understandings with those persons;~~

~~(5) any plans or proposals which an acquiring party making the acquisition may have to liquidate the bank, to sell its assets or merge it, or make any other major change in its business or corporate structure or management;~~

~~(6) the identification of any person employed, retained, or to be compensated by the acquiring party, or by any person on the acquiring party's behalf, to make solicitations or recommendations to stockholders for the purpose of assisting in the acquisition, and a brief description of the terms of the employment, retainer, or arrangement for compensation;~~

~~(7) copies of all invitations, tenders, or advertisements making tender offers to stockholders for purchase of their stock to be used in connection with the proposed acquisition;~~

~~(8) a statement of how the acquisition will bring "net new funds" to Minnesota. The description of net new funds must be filed with the application stating the amount of capital funds, including the increase in equity capital that will result from the acquisition or establishment of a bank. The level of total equity capital must exceed \$3,000,000 for a new chartered bank and \$1,000,000 for an acquired bank. The description must state the net increase in loanable funds expressed as an increase in the total loan to asset ratio of Minnesota loans and assets. The statement must also include a discussion of initial capital investments, loan policy, investment policy, dividend policy, and the general plan of business, including the full range of consumer and business services which will be offered; and~~

~~(9) any additional relevant information in the form the commissioner requires by rule or by specific request in connection with any particular notice.~~

Sec. 17. Minnesota Statutes 1994, section 48.93, subdivision 4, is amended to read:

Subd. 4. [DISAPPROVAL.] The commissioner shall disapprove any proposed acquisition if:

(1) the financial condition of any acquiring person is such as might jeopardize the financial stability of the bank or prejudice the interests of the depositors of the bank;

(2) the competence, experience, integrity of any acquiring person or of any of the proposed management personnel indicates that it would not be in the interest of the depositors of the bank, or in the interest of the public to permit the person to control the bank;

(3) the acquisition will result in undue concentration of resources or substantial lessening of competition in this state;

~~(4) the application fails to adequately demonstrate that the acquisition proposal would bring net new funds into Minnesota;~~

(5) the application is incomplete or any acquiring party neglects, fails, or refuses to furnish all the information required by the commissioner;

(6) ~~(5)~~ a subsidiary of the acquiring bank holding company has failed to meet the requirements set forth in the federal Community Reinvestment Act; or

~~(7) the acquisition will result in over 30 percent of Minnesota's total deposits in financial~~

~~institutions as defined in section 13A.01, subdivision 2, being held by banks located in this state owned by reciprocating state bank holding companies. This limitation does not apply to consideration for approval pursuant to section 48.99, special acquisitions.~~

(6) the bank to be acquired has not been in existence for at least five years. For purposes of this paragraph, a bank that has been chartered solely for the purpose of, and does not open for business before, acquiring control of, or acquiring all or substantially all of the assets of, an existing bank is considered to have been in existence for the same period of time as the bank to be acquired. For determining the time period of existence of a bank, the time period begins after the issuance of a certificate of authorization and from the date the approved bank actually opens for business.

Sec. 18. Minnesota Statutes 1994, section 48.96, is amended to read:

48.96 [SUPERVISION.]

The department may enter into cooperative and reciprocal agreements with federal or bank regulatory authorities of ~~reciprocating states~~ out-of-state bank holding companies for exchange or acceptance of reports of examination and other records from the authorities in lieu of conducting its own examinations. The department may enter into joint actions with federal or bank regulatory authorities of ~~reciprocating states~~ out-of-state bank holding companies to carry out its responsibilities ~~under Laws 1986, chapter 339~~ and assure compliance with the laws of this state.

Sec. 19. Minnesota Statutes 1994, section 48.99, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION CRITERIA FOR APPROVAL.] Pursuant to the present requirement of the United States Code, title 12, section 1842(d) and notwithstanding any other provision of state law, ~~a reciprocating state~~ an out-of-state bank holding company, or any subsidiary of a bank holding company, may acquire a bank ~~located in this~~ whose home state is Minnesota where the commissioner has determined that a merger, consolidation, or purchase of assets and assumption of liabilities is necessary and in the public interest to prevent the probable failure of a bank or is made for the incorporation of a new bank in the same locality coincidental with the closing of an existing bank by the commissioner or federal authorities and does not increase the number of banks in the community affected. The acquisition is subject to the prior written approval of the commissioner of an application submitted under this section and after the following considerations:

- (1) the financial and managerial resources of the applicant;
- (2) the future prospects of the applicant and the state bank or its subsidiary whose assets, interest in, or shares it will acquire;
- (3) the financial history of the applicant;
- (4) whether the acquisition or holding may result in undue concentration of resources or substantial lessening of competition in this state, however, any deposit concentration limitations imposed on the acquisition by Public Law Number 103-328, title 1, section 101, (a)(2), may be waived by order of the commissioner;

(5) the convenience and needs of the public of this state; and

(6) whether the acquisition or holding will strengthen the financial condition of the state bank.

Sec. 20. [48.993] [RECIPROCAL INTERSTATE BRANCHING.]

With the prior approval of the commissioner, a bank doing business in the state of Iowa, North Dakota, South Dakota, or Wisconsin may establish a de novo detached facility in this state not more than 30 miles from its principal office measured in a straight line from the closest points of the closest structures provided further that:

(a) There is in effect in the home state a law, rule, or ruling that permits Minnesota home state banks to establish de novo branches in the state under conditions substantially similar to those imposed by the laws of Minnesota as determined by the commissioner.

(b) There is in effect a cooperative agreement between the home state and host state banking regulator to facilitate their respective regulation and supervision of the bank including application and approval process, and the coordination of examinations. The agreement must at a minimum provide:

- (1) common form and information requirements to be completed by the applicant bank;
 - (2) common form and procedure required to publish the application in the location of the branch in the host state;
 - (3) a fee for the application to the state of Minnesota, department of commerce, for filing and approval as the host state of the application of \$500;
 - (4) the requirements and limitations on the location and operations of an interstate branch must be the same as for host state branches in sections 47.51 to 47.55 except for transfer of location in section 47.56 which is limited by this section;
 - (5) the branch is subject to the laws of the host state relating to banking in resolution of conflicts of laws between the home and host state; and
 - (6) the deposits of the bank must be insured by the Federal Deposit Insurance Corporation.
- (c) The home state banking regulator has granted any and all necessary approvals.

(d) Beginning one year following establishment of a detached facility in a host state, the home state bank's level of lending in the host state relative to the deposits from the host state shall not be less than half of the level of the bank's loan to deposit ratio in its home state operations. The bank shall maintain sufficient records to permit an examination to determine this requirement by the host state banking regulator. If the bank is found to be in noncompliance, the home state or host state banking regulator may order that an interstate branch of the bank in the host state be closed.

Sec. 21. [48.995] [FOREIGN CORPORATION FILING.]

Subdivision 1. [TRUST POWERS.] A bank that holds trust powers may conduct the activity through a host state branch provided it complies with section 303.25.

Subd. 2. [FILING WITH SECRETARY OF STATE.] Notwithstanding section 303.03, the branch in a host state must operate under a certificate of authority filed with the Minnesota secretary of state.

Sec. 22. Minnesota Statutes 1994, section 52.05, subdivision 2, is amended to read:

Subd. 2. [APPLICATION.] Any ~~25 residents of the state~~ persons representing a group may apply to the commissioner, advising the commissioner of the common bond of the group and its number of potential members, for a determination whether it is feasible for the group to form a credit union. Upon a determination that it is not feasible to organize because the number of potential members is too small, the applicants will be certified by the commissioner as eligible to petition for membership in an existing credit union capable of serving the group. If the credit union so petitioned resolves to accept the group into membership, it shall follow the bylaw amendment and approval procedure set forth in section 52.02.

The commissioner shall adopt rules to implement this subdivision. These rules must provide that:

- (1) for the purpose of this subdivision, groups with a potential membership of less than 1,500 will be considered too small to be feasible as a separate credit union, unless there are compelling reasons to the contrary, relevant to the objectives of this subdivision;
- (2) groups with a potential membership in excess of 1,500 will be considered in light of all circumstances relevant to the objectives of this subdivision; and
- (3) all group applications, except for applications from groups made up of members of existing credit unions or groups made up of people who have a common employer which qualifies them for membership in an existing credit union, will be considered separately from any consideration of

the membership provisions of existing credit unions; except that, groups made up of members of an existing credit union may be certified under this subdivision with the agreement of the credit union.

Sec. 23. [REPEALER.]

Minnesota Statutes 1994, sections 47.80; 47.81; 47.82; 47.83; 47.84; 47.85; 48.1585; 48.512, subdivision 6; 48.95; 48.97; 48.98; and 48.991, are repealed.

Sec. 24. [EFFECTIVE DATE.]

Sections 1, 5, and 20 to 22 are effective immediately following final enactment. Sections 2 to 4 and 6 to 19 are effective September 29, 1995.

ARTICLE 5

MINNESOTA PAWNBROKERS ACT

Section 1. [325J.01] [PAWNBROKER REGULATION.]

Subdivision 1. [CITATION.] This section shall be known and may be cited as the "Minnesota Pawnbrokers Act."

Subd. 2. [DEFINITIONS.] The following terms used in this section have the following meanings unless the context clearly indicates otherwise.

(a) "Appropriate law enforcement agency" means the sheriff of each county in which the pawnbroker maintains an office, or the police chief of the municipality or law enforcement officers of the municipality in which the pawnbroker maintains an office.

(b) "Attorney general" means the attorney general of the state of Minnesota.

(c) "Municipality" means any municipality which elects to regulate and license pawnbrokers within its jurisdiction under local ordinance. If a municipality adopts an ordinance regulating and licensing pawnbrokers, the municipality shall issue the license required under this section.

(d) "Pawnbroker" means any person engaged in whole or in part in the business of lending money on the security of pledged goods left in pawn, or in the business of purchasing tangible personal property to be left in pawn on the condition that it may be redeemed or repurchased by the seller for a fixed price within a fixed period of time; provided, however, that the following are exempt from the definition of "pawnbroker" and from this section: any bank regulated by the state of Minnesota, the comptroller of the currency of the United States, the Federal Deposit Insurance Corporation, the board of governors of the Federal Reserve System or any other federal or state authority and all affiliates of the bank; any bank or savings association whose deposits or accounts are eligible for insurance by the Federal Deposit Insurance Corporation or any successor to it, and all affiliates of those banks and savings associations; any state or federally chartered credit union; and any industrial loan and thrift company or regulated lender subject to licensing and regulation by the department of commerce.

(e) "Pawnshop" means the location at which or premises in which a pawnbroker regularly conducts business or stores pledged goods.

(f) "Pawn transaction" means any loan on the security of pledged goods or any purchase of pledged goods on the condition that the pledged goods are left with the pawnbroker and may be redeemed or repurchased by the seller for a fixed price within a fixed period of time.

(g) "Person" means an individual, partnership, corporation, limited liability company, joint venture, trust, association, or any other legal entity however organized.

(h) "Pledged goods" means tangible personal property other than choses in action, securities, bank drafts, motor vehicle titles, or printed evidence of indebtedness, which property is purchased by, deposited with, or otherwise actually delivered into the possession of a pawnbroker in connection with a pawn transaction.

Subd. 3. [ENTRIES OF PAWN TICKETS.] At the time of making the pawn or purchase transaction, the pawnbroker shall enter upon the pawn ticket a record of the following information which shall be typed or written in ink and in English:

- (1) a clear and accurate description of the property, including model and serial number if indicated on the property;
- (2) the name, residence address, and date of birth of pledgor or seller;
- (3) date of pawn or purchase transaction;
- (4) social security number or state-issued driver's license or identification card number of the pledgor or seller;
- (5) description of the pledgor including approximate height, sex, and race;
- (6) amount of cash advanced;
- (7) the maturity date of the pawn transaction and the amount due; and
- (8) the monthly rate and pawn charge.

Subd. 4. [PRINTED PAWN TICKET.] The following shall be printed on all pawn tickets:

- (1) the statement that "Any personal property pledged to a pawnbroker within this state is subject to sale or disposal when there has been no payment made on the account for a period of not less than 30 days past the date of the pawn transaction; no further notice is necessary. There is no obligation for the pledgor to redeem pledged goods";
- (2) the statement that "The pledgor of this item attests that it is not stolen, it has no liens or encumbrances against it, and the pledgor has the right to sell or pawn the item";
- (3) the statement that "The item is redeemable only by the bearer of this ticket or by identification of the person making the pawn"; and
- (4) a blank line for the pledgor's signature.

Subd. 5. [RECORDS; RETENTION.] (a) The pledgor or seller shall sign a statement verifying that the pledgor or seller is the rightful owner of the goods or is entitled to sell or pledge the goods and shall receive an exact copy of the pawn ticket.

(b) The pawnbroker shall maintain on the premises, a record of all transactions of pledged or purchased goods. A pawnbroker shall upon request provide to the appropriate law enforcement agency a complete record of pawn transactions. These records shall be a correct copy of the entries made of the pawn transactions.

Subd. 6. [EFFECT OF NONREDEMPTION.] A pledgor shall have no obligation to redeem pledged goods or make any payment on a pawn transaction. Pledged goods not redeemed within at least 60 days of the pawn transaction shall automatically be forfeited to the pawnbroker by operation of this section, and absolute right, title, and interest in and to the goods shall automatically vest in the pawnbroker.

Subd. 7. [PERMITTED CHANGES.] (a) Notwithstanding any other statute, rule, or regulation, a pawnbroker may contract for and receive a pawnshop charge in lieu of interest or other charges for all services, expenses, cost, and losses of every nature not to exceed 30 percent of the principal amount, per month, advanced in the pawn transaction.

(b) Any interest, charge, or fees contracted for or received, directly or indirectly, in excess of the amount permitted under paragraph (a) of this section shall be uncollectible and the pawn transaction shall be void. The pawnshop charge allowed under paragraph (a) of this section shall be deemed earned, due, and owing as of the date of the pawn transaction and a like sum shall be deemed earned, due, and owing on the same day of the succeeding month.

Subd. 8. [RECORDS; PROHIBITIONS.] A pawnbroker and any clerk, agent, or employee of a pawnbroker shall not:

- (1) make any false entry in the records of pawn transactions;
- (2) falsify, obliterate, destroy, or remove from the place of business the records, books, or accounts relating to the licensee's pawn transactions;
- (3) refuse to allow the appropriate law enforcement agency, the attorney general, or any other duly authorized state or federal law enforcement officer to inspect the pawn records or any pawn goods in the person's possession during the ordinary hours of business or other time acceptable to both parties;
- (4) fail to maintain a record of each pawn transaction for six years;
- (5) accept a pledge or purchase property from a person under the age of 18 years;
- (6) make any agreement requiring the personal liability of a pledgor or seller, or waiving any provision of this section or providing for a maturity date less than 30 days after the date of the pawn transaction;
- (7) fail to return or replace pledged goods to a pledgor or seller upon payment of the full amount due the pawnbroker unless the date of redemption is past the maturity date or the pledged goods have been taken into custody by a court or a law enforcement officer or agency;
- (8) sell or lease, or agree to sell or lease, pledged or purchased goods back to the pledgor or back to the seller in the same or related transaction;
- (9) sell or otherwise charge for insurance in connection with a pawn transaction; or
- (10) remove pledged goods from the premises within 30 days following the date of the pawn transaction.

Subd. 9. [REDEMPTION; RISK OF LOSS.] Any person properly identifying the person as pledgor or as authorized representative of the pledgor and presenting a pawn ticket to the pawnbroker shall be entitled to redeem or repurchase the pledged goods described in the ticket. In the event the pledged goods are lost or damaged while in the possession of the pawnbroker, it shall be the responsibility of the pawnbroker to replace the lost or damaged goods with like kinds of merchandise and proof of replacement shall be a defense to any prosecution.

Subd. 10. [LIEN.] A pawnbroker shall have a lien on the pledged goods pawned for the money advanced and the pawnshop charge owed, but not for other debts due to the pawnbroker. A pawnbroker shall retain possession of the pledged goods, except as otherwise provided in this section, until the lien is satisfied.

Subd. 11. [MUNICIPAL REGULATION.] For the purpose of promoting the public health, safety, morals, and welfare, a municipality may by ordinance regulate pawn transactions. Any ordinance regulating pawn transactions must contain the following minimum provisions:

(1) A person may not engage in business as a pawnbroker or otherwise portray the person as a pawnbroker unless the person has a valid license authorizing engagement in the business. A separate license is required for each place of business regulated by local ordinance. The municipality in which the pawnshop is located may issue more than one license to a person if that person complies with this act for each license.

(2) When a licensee wishes to move a pawnshop to another location, the licensee shall give 30 days' prior written notice to the municipality, which shall amend the license accordingly.

(3) Each license shall remain in full force and effect until relinquished, suspended, revoked, or expired.

(4) Notwithstanding any other provision of this section, the municipality may issue a temporary license authorizing the operator of a pawnshop on the receipt of an application to transfer a license from one person to another or on the receipt of an application for a license involving principals and owners that are subsequently identical to those of an existing licensed pawnshop. The temporary license is effective until the permanent license is issued or denied. The permanent license shall be issued or denied within 60 days of application.

(5) Notwithstanding other provisions of this section, neither a new license nor an application to transfer an existing license shall be required upon any change, directly or beneficially, in the ownership of any licensed pawnshop incorporated under the laws of this state or any other state so long as the licensee continues to operate as a corporation doing a pawnshop business under the license.

(6) To be eligible for a pawnbroker license, an applicant shall:

(i) operate lawfully and fairly within the purposes of this section;

(ii) not have been convicted of a felony in the last ten years or be active as a beneficial owner for someone who has been convicted of a felony in the last ten years; and

(iii) submit a set of fingerprints from any local law enforcement agency.

(7) Any licensee may surrender any license by delivering it to the municipality with written notice of its surrender, but such surrender shall not affect the licensee's civil or criminal liability for acts committed prior to the surrender.

(8) No revocation, suspension, or surrender of any license shall impair or affect the obligation of any pre-existing lawful contract between the licensee and any pledgor. Any pawn transaction made without benefit of a license is void.

(9) The municipality may reinstate suspended licenses or issue new licenses to a person whose license or licenses have been revoked if no fact or condition then exists which clearly would have justified the municipality in refusing originally to issue a license under this section.

(10) The appropriate local law enforcement agency shall be notified by the municipality of any licensee who has his license suspended or revoked as provided by this section.

Subd. 12. [LAW ENFORCEMENT.] (a) Pledged or purchased goods may be confiscated only under the following conditions, except as otherwise permitted by law:

(1) a police report being made in a timely manner;

(2) a warrant sworn out for the person who pledged or sold the goods to the pawnbroker; and

(3) a theft report identifying the merchandise to be confiscated along with a request for restitution, pursuant to law.

(b) Pledged or purchased goods may be put on a one-time 60-day hold by the authorized law enforcement authorities.

(c) Confiscated merchandise must be returned to the pawnbroker by the law enforcement authorities as soon as possible following completion of any police investigation related to the merchandise.

Subd. 13. [RIGHTFUL OWNER LIABLE TO PAWNBROKER.] If any pledged goods from a pawn transaction are found to be stolen goods and are returned to the rightful owner by the licensee and if the licensee who accepted such pledged goods has complied with all of the duties and responsibilities specified in this section during the transaction, then the rightful owner of the pledged goods shall be liable to the licensee for the pledged amount if the rightful owner fails to prosecute or cooperate in the criminal prosecution related to the pawn transaction.

Subd. 14. [SEVERABILITY.] The provisions of this section are severable. If any part of this section is declared invalid or unconstitutional, the declaration shall not affect the parts that remain.

Subd. 15. [TRANSITION.] In municipalities that adopt an ordinance under this section, pawnbrokers operating pawnshops in business as of July 1, 1995, shall have until January 1, 1996, to apply for a license under this section and to pay the required fee, and upon the application and payment of the required fee, shall be granted a license under this section.

Subd. 16. [FORMS.] The municipality shall develop and provide any necessary forms to carry out this section."

Delete the title and insert:

"A bill for an act relating to financial institutions; regulating notices; electronic financial terminals, mergers with subsidiaries, the powers and duties of the commissioner of commerce, reporting and records requirements, lending powers, data classification, the powers and duties of institutions, detached facilities, interstate banking, and pawnbrokers; making technical changes; regulating mortgage prepayments; allowing written waivers of the right to prepay without penalty under certain circumstances; clarifying definition of franchise; permitting a delinquency and collection charge; amending Minnesota Statutes 1994, sections 46.04, subdivision 1, and by adding a subdivision; 46.041, subdivisions 1 and 4; 46.046, subdivision 1; 46.048, subdivision 1, and by adding subdivisions; 47.10, subdivision 3; 47.11; 47.20, subdivisions 5 and 10; 47.28, subdivision 1; 47.52; 47.56; 47.58, subdivision 2; 47.61, subdivision 3; 47.62, subdivisions 2, 3, and by adding subdivisions; 47.67; 47.69, subdivisions 3 and 5; 47.78; 48.16; 48.194; 48.24, subdivision 5; 48.475, subdivision 3; 48.48, subdivisions 1 and 2; 48.49; 48.61, subdivision 7, and by adding a subdivision; 48.65; 48.90, subdivision 1; 48.91; 48.92, subdivisions 1, 2, 6, 7, 8, 9, and by adding a subdivision; 48.93, subdivisions 1, 3, and 4; 48.96; 48.99, subdivision 1; 49.01, subdivision 3; 51A.02, subdivisions 6, 26, and 40; 51A.19, subdivision 9; 51A.50; 51A.58; 52.04, subdivision 2a; 52.05, subdivision 2; 53.015, subdivision 4; 53.04, subdivisions 3a, 3c, 4a, and 5a; 53.09, subdivisions 1, 2, and by adding a subdivision; 56.11; 56.12; 56.125, subdivisions 1, 2, and 3; 56.131, subdivisions 1, 2, 4, and 6; 56.132; 56.14; 56.155, subdivision 1; 56.17; 59A.06, subdivision 2; 61A.09, subdivision 3; 62B.04, subdivision 1; 62B.08, subdivision 2; 80C.01, subdivision 4; 300.20, subdivision 1; 325F.91, subdivision 2; 327B.04, subdivision 1; 327B.09, subdivision 1; 332.23, subdivisions 1 and 2; proposing coding for new law in Minnesota Statutes, chapters 45; 47; 48; 51A; 52; and 334; proposing coding for new law as Minnesota Statutes, chapter 325J; repealing Minnesota Statutes 1994, sections 46.03; 47.80; 47.81; 47.82; 47.83; 47.84; 47.85; 48.1585; 48.512, subdivision 6; 48.611; 48.95; 48.97; 48.98; 48.991; and 51A.385."

And when so amended the bill do pass and be re-referred to the Committee on Judiciary. Amendments adopted. Report adopted.

Mr. Bertram from the Committee on Agriculture and Rural Development, to which was referred

S.F. No. 793: A bill for an act relating to agriculture; eliminating requirements for certain periodic reports by the department of agriculture; amending Minnesota Statutes 1994, sections 18.0228, subdivision 3; and 42.04, subdivision 2; repealing Minnesota Statutes 1994, sections 18.023, subdivision 11; 32.73, subdivision 7; 40A.17; and 41.53, subdivision 3.

Reports the same back with the recommendation that the bill do pass. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 1097, 371, 739, 839, 738 and 793 were read the second time.

MOTIONS AND RESOLUTIONS - CONTINUED

Ms. Johnson, J.B. moved that the name of Mr. Novak be added as a co-author to S.F. No. 902. The motion prevailed.

Mr. Lessard moved that the name of Ms. Johnson, J.B. be added as a co-author to S.F. No. 1024. The motion prevailed.

RECESS

Mr. Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

APPOINTMENTS

Mr. Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

S.F. No. 335: Messrs. Frederickson, Morse and Merriam.

H.F. No. 5: Messrs. Samuelson, Betzold, Ms. Piper, Robertson and Hanson.

Mr. Moe, R.D. moved that the foregoing appointments be approved.

Mr. Johnson, D.E. requested that the appointments to the Conference Committee on H.F. No. 5 be divided out.

The question was taken on the approval of the appointments to the Conference Committee on S.F. No. 335. The motion prevailed.

Mr. Johnson, D.E. moved to amend the report from the Subcommittee on Committees as to the appointments to the Conference Committee on H.F. No. 5, by striking the names of Ms. Robertson and Hanson and inserting the names of Messrs. Ourada and Stevens.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 22 and nays 41, as follows:

Those who voted in the affirmative were:

Belanger	Kiscaden	Larson	Olson	Stevens
Dille	Kleis	Lesewski	Ourada	Terwilliger
Frederickson	Knutson	Limmer	Pariseau	
Johnson, D.E.	Kramer	Neuville	Runbeck	
Johnston	Laidig	Oliver	Scheevel	

Those who voted in the negative were:

Anderson	Flynn	Langseth	Novak	Solon
Beckman	Hanson	Lessard	Pappas	Spear
Berglin	Hottinger	Marty	Piper	Stumpf
Bertram	Janezich	Merriam	Pogemiller	Vickerman
Betzold	Johnson, D.J.	Metzen	Price	Wiener
Chandler	Johnson, J.B.	Moe, R.D.	Ranum	
Chmielewski	Kelly	Mondale	Reichgott Junge	
Cohen	Krentz	Morse	Sams	
Finn	Kroening	Murphy	Samuelson	

The motion did not prevail.

Mr. Moe, R.D. moved to approve the appointments to the Conference Committee on H.F. No. 5. The motion prevailed.

MEMBERS EXCUSED

Messrs. Day and Mondale were excused from the Session of today. Mr. Riveness was excused from the Session of today from 8:00 to 8:25 a.m. Mr. Pogemiller was excused from the Session of today from 8:00 to 8:45 a.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 10:00 a.m., Monday, March 27, 1995. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate