

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2175

2005 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2175

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2175

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date January 17, 2005

Tape Number	Side A	Side B	Meter #
1	X		18.1 -33.0
Committee Clerk Signature <i>Siq VanBeek</i>			

Minutes:

Senator Duane Mutch, Chairman of the Senate Industry, Business and Labor opened the hearing of SB 2175 relating to real estate appraisal requirements for real estate loans by banks.

All committee members were present except **Senator Joel Heitkamp** who joined the hearing latter.

Jim Schlosser representing the North Dakota Bankers Association testified in support of SB 2175 (See attached testimony).

Discussion was held regarding supplemental or additional collateral when loans are made without an appraisal.

Senator Jerry Klein inquired that looking at the commissioner language, how it is determined what is necessary and when does it apply to address "safety and soundness" concerns or is that open ended.

Jim Schlosser explained that when the commission examination looks at a bank that make a loan and determines "safety and soundness" is an issue, then an appraisal would be required even after it might be after the fact. The collateral property would have to be worth the amount of the loan not the property requiring the loan.

Senator Karen Krebsbach inquired who pays for the additional appraisal if it is required by the commissioner.

Discussion was held in this regard, but there seemed to be no final decision.

Tim Karsky (27.4) representing the North Dakota Department of Financial Institutions testified in support of SB 2175. He gave examples of when there might be times when appraisals might be required in a complex loan.

Joe Ibach a North Dakota independent property appraiser testified in support of SB 2175 stating that although the law will state that an appraisal will only be required for a loan above \$250,000.00, most loan institution still have their own loan processing rules and may still require an appraisal for under that amount.

Don Fonsberg, executive Vice President for the Independent Community Banks of North Dakota testified in support of SB 2175 clarified that each loan institution has their own internal loan policy and would probably not change them to meet the amount set by this bill.

Senator Mutch asked for opposing testimony and hearing none closed the hearing on SB 2175.

Senator Krebsbach made a motion for a Do Pass of SB 2175.

Senator Klein second the motion.

Roll call vote was taken for a DO PASS of SB 2175 indicating 7 YEAS, 0 NAYS AND 0

ABSENT OR NOT VOTING.

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Senate Industry, Business, and Labor Committee

Bill/Resolution Number SB 2175

Hearing Date 1-17-05

Senator Duaine Espegard will carry SB 2175.

Date: 1-17-0
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2175

Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS

Motion Made By Prubelach Seconded By Klein

Senators	Yes	No	Senators	Yes	No
Senator Mutch, Chairman	✓		Senator Fairfield	✓	
Senator Klein, Vice Chairman	✓		Senator Heitkamp	✓	
Senator Krebsbach	✓				
Senator Nething	✓				
Senator Espegard	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment ESpegard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 17, 2005 12:48 p.m.

Module No: SR-10-0537
Carrier: Espegard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2175: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2175 was placed on the Eleventh order on the calendar.

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2175

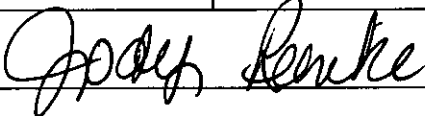
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2175

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 3-1-05

Tape Number	Side A	Side B	Meter #
1	x		23.5-39.9
Committee Clerk Signature 			

Minutes:

Chairman Keiser: Opened the hearing on SB 2175. All committee members were present.

Jim Schlosser, North Dakota Bankers Association: Appeared in support of bill and also provided a written statement (SEE ATTACHED TESTIMONY).

Representative Froseth: I think that should be defined what a appropriate evaluation is, they use information from sales around this area or what.

Tim Karsky, Commissioner, Department of Financial Institutions: Regarding of language of an appropriate evaluation, lets just say someone comes in for a \$75,000.00, it doesn't make a lot of sense to go out and pay \$1000.00-\$2000.00 for something that we don't need, but what we wanted was a loan officer, or someone else in the bank or credit union that could make an independent evaluation. We just want something in the file, whether it is a tax statement, to support the value that they have used. This bill will be used more on commercial property.

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House Industry, Business and Labor Committee

Bill/Resolution Number SB 2175

Hearing Date 3-1-05

Don Forsberg, Executive VP, Independent Community Banks: Appeared in support of this

bill, I really have nothing new to add since previous testimony.

No opposition.

Representative Thorpe: I Move a **DO PASS** on SB 2175.

Representative Froseth: I **SECOND** the **DO PASS** motion on SB 2175.

Motion carried. **VOTE: 13-YES 0-NO 1-Absent (DOSCH).**

Representative Dietrich will carry the bill on the floor.

Hearing adjourned.

Date: 3-1-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2175

House INDUSTRY, BUSINESS AND LABOR Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Thorpe Seconded By Rep. Froseth

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman	X	
N. Johnson-Vice Chairman	X		Rep. T. Boe	X	
Rep. D. Clark	X		Rep. M. Ekstrom	X	
Rep. D. Dietrich	X		Rep. E. Thorpe	X	
Rep. M. Dosch	A				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigesaa	X				

Total (Yes) 13 No 0

Absent (1) Rep. Dosch

Floor Assignment Rep. Dietrich

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 1, 2005 3:12 p.m.

Module No: HR-37-3898
Carrier: Dietrich
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2175: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2175 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

SB 2175

SB2175
Jim Schlosser
North Dakota Bankers Association

*Same
give to
House*

A state chartered member bank requested that NDBA introduce legislation to allow state chartered banks to make real estate loans of up to \$250,000 without a formal appraisal. At the present time, Section 6-03-05 of the NDCC does not require an appraisal for a state bank on a real estate loan of \$100,000 or less.

Federal law, as cited on line 9 of the bill, does not require an appraisal by a licensed or certified appraiser for real estate loans of less than \$250,000. **This bill simply conforms our state law dealing with state chartered banks with the federal law governing national banks.** Both bankers and appraisers have noted that the legislation will not have a major impact on the number of appraisals that are requested on loans by state banks in an amount between \$100,000 and \$250,000. Financial institutions consider a number of factors when determining whether appraisals should be made, and the amount of the loan is not always the reason for an appraisal, but a change in law would allow state banks the same flexibility as national banks in determining whether a formal appraisal is required.

The language eliminated from the current statute on lines 9-17 of the bill is condensed in the language on line 17-19, which states that "a bank must obtain an appropriate evaluation of real property collateral for transactions that do not require an appraisal by a licensed or certified appraiser." The language on lines 19 and 20 was requested by the Commissioner of Financial Institutions, Tim Karsky, and states that his department may require an appraisal for a loan in any amount if necessary to address safety and soundness concerns.