

MEETING
OF THE
SENATE STANDING COMMITTEE
ON
COMMERCE

164

Date: March 31, 1971

Members Present: Senator Close
Senator Drakulich
Senator Hecht
Senator Swobe

Members Absent: Senator Lamb

Witnesses : Dr. White, Director of Commerce
R. W. Hine, President, First Western
Savings and Loan
Sherman Miller, President, Nevada
Savings and Loan
Clark Guild, representing Home
Savings and Loan

Chairman Close called the meeting to order at 1:10 P.M.

SB 596 - Creates Nevada home loan mortgage corporation.

Dr. White told the committee that this bill has just one purpose -- to provide access to current money rates for the savings and loan associations, particularly in Las Vegas, who are indebted to the Federal Home Loan Bank Board, and the Federal Savings and Loan Deposit Insurance Corporation at rates of 7-1/2% and 7-3/4% respectively. The bill essentially enables the Department of Commerce to buy mortgages from the savings and loan associations and paying for them by selling bonds. There is no obligation to the state in any way. (See Exhibit A for the amendments he proposed.)

Dr. White: Our information from Washington is that we can expect to pay a rate of 5-1/4% on the money we borrow. We will then be in a position to pay premiums for paper carrying 7%. This will not be allowed to create any profits or dividend payments. The telegram before you explains the temporary arrangement made in 1966. (See Exhibit B.) We feel this bill will eliminate the emergency situation and replace it with a good sound financial arrangement to support housing in Southern Nevada.

Mr. Hine: First Western has discussed this proposal with Dr. White and we agree with the concept. We think it has merit as one of several possible means to help the industry.

Mr. Miller: We also support the bill as it is amended and feel it would help the industry to better serve their community needs and to further strengthen our financial position.

Mr. Guild: The first time we have seen these amendments is when we came into this hearing room. The bill was introduced on March 23 and Home Savings and Loan has not been contacted. We do feel that before you make a judgment, we would like to have an opportunity to digest the contents of the amendments and make a presentation. We do not have the need for this type of legislation, but we cannot say that this is bad without knowing what the contents of the amended bill would be.

Chairman Close suggested that another hearing be scheduled for Monday, April 5, at 1:00 P.M.

Senator Hecht made a motion to have SB 596 reprinted with the new amendments; seconded by Senator Drakulich; motion carried.

The meeting was adjourned at 1:37 P.M.

TO Senator Melvin D. Close, Jr., Chairman
Senate Commerce Committee

FROM William T. White, Director
Department of Commerce

SUBJECT S.B. 596

Memo

DATE March 31, 1971

The Department of Commerce proposes that S.B. 596 be amended as follows:

SEC. 4 - Line 10 - Revise to read, "Home Mortgage" means a loan on residential property.

SEC. 5 - Line 18 - Following after sell, add "or hypothecate".

SEC. 6 - Delete

SEC. 11 - Delete

SEC. 12 - Delete subsections a, b, c, e, g, & h.

Line 15 - Following after sell, add "or hypothecate".

SEC. 13 - Line 24 - Following after sales, add "or pledges".

SEC. 15 - Line 42 - Revise subsection 1 to read: "In the event of default in the payment of any home mortgage, the director shall take all necessary action to replace the delinquent mortgage with a current mortgage loan of like amount from mortgagee. Each mortgage sales agreement made by the Nevada Home Loan Mortgage Corporation will provide for this replacement."

Line 46 - Delete subsections 2 and 3.

SEC. 17 - Delete

SEC. 18 - Delete

SEC. 19 - Line 42 - Change "made" to read "purchased".

Line 43 - Delete "and all realization on foreclosure of such mortgages, as secured,".

SEC. 21 - Line 9 - Change "making" to read "purchase".

Add new SEC. 22 to read: "Should any sales of mortgages by a mortgagee to the Nevada Home Loan Mortgage Corporation result in an increase in positive net worth of the mortgagee, that increase will be made a part of the permanent surplus of the mortgagee."

SECRET

167
Telegram

(1122)

==PRB041 LA030

L WA015 IGB PDB 1 EXTRA=FAX WASHINGTON DC 31 957A EST=
DR WILLIAM T WHITE=

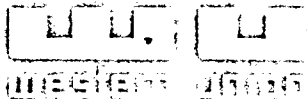
: NEVADA DEPT OF COMMERCE = 201 SOUTH FALL ST CARSON
CITY NEVADA=:

=AS YOU ARE AWARE, THE INSURANCE CORPORATION IN 1966
ENTERED INTO FINANCIAL ASSISTANCE AGREEMENTS WITH EACH
OF THE THREE SAVINGS AND LOAN ASSOCIATIONS OPERATING
IN LAS VEGAS. THE AGREEMENTS WERE EMERGENCY MEASURES
DESIGNED TO PERMIT THE ASSOCIATIONS TO WEATHER WHAT WE
EXPECTED WAS A TEMPORARY TIGHT MONEY SITUATION AND TO
PERMIT EACH ASSOCIATION TO CONVERT ITS NON-EARNING ASSET
INTO EARNING ASSETS. UNDER THE TERMS OF THE AGREEMENT TH

WU 1201 (R 5-69)

CORPORATION HAS MADE LOANS AGGREGATING \$42,250,000 TO
THE ASSOCIATIONS. INTEREST IS CURRENT BUT ONLY \$1 MILLION
OF PRINCIPAL HAS BEEN REPAID BY ONE ASSOCIATION. TH
E AGREEMENTS WERE NOT DESIGNED TO BE PERMANENT IN NATURE;
THEY WERE EXPRESSLY STRUCTURED FOR A TEMPORARY PERIOD OF
TIME. ALTHOUGH THERE HAS BEEN SOME POSITIVE CHANGES IN
THE FINANCIAL CONDITION OF THE ASSOCIATIONS THE
ARRANGEMENTS HAVE NOT LIVED UP TO EXPECTATIONS BECAUSE
OF THE 1969-1970 TIGHT MONEY PERIOD AND THE INABILITY
OF THE ASSOCIATIONS TO REDUCE THEIR SIZE TO MANAGEABLE
PROPORTIONS. WE BELIEVE THE TIME HAS COME TO CONSIDER A
NEWER AND BETTER ARRANGEMENT TO RESOLVE THE ASSOCIATIONS

WU 1201 (R 5-69)



Telegram

Department of Commerce

PROBLEMS. THE PLAN OF INCORPORATING THE " NEVADA HOME LOAN MORTGAGE CORPORATION " WHICH WILL PURCHASE MORTGAGES FROM THE ASSOCIATIONS' EXISTING PORTFOLIOS SEEMS TO BE A TIMELY STEP. IF THIS CORPORATION IS ABLE TO BUY SUCH ASSETS IN AMOUNTS SUFFICIENT TO PERMIT THE REPAYMENT OF ALL BORROWED FUNDS OF THE ASSOCIATIONS TWO PURPOSES WILL BE SERVED. FIRST, THE ELIMINATION OF THE INTEREST COST OF EACH OF THE INSTITUTIONS WITH RESPECT TO THEIR BORROWINGS, EVEN THOUGH THERE IS A LOSS OF INCOME ON ASSETS SOLD, WILL GO FAR TO PERMIT OPERATIONS TO BE ON THE PLUS SIDE. SECOND, THE ASSOCIATIONS WILL BE REDUCED TO MORE MANAGEABLE SIZES; SIZES THAT THE COMMUNITY CAN

WU 1201 (R 5-69)

APR 22 1971

ADEQUATELY SUPPORT. ==

Department of Commerce

I REGRET THAT THE TIME SCHEDULES OF ART LIEBOLD AND MYSELF WILL PERMIT OUR PRESENCE AT THE FORTHCOMING PUBLIC HEARING ON THE MATTER. HOWEVER, I DO HOPE YOU WILL TELL THE LEGISLATIVE COMMITTEE THAT WE ARE IN FAVOR OF ANY PLAN WHICH WOULD MAKE IT POSSIBLE FOR THE INSURANCE CORPORATION TO STEP OUT OF THE LAS VEGAS PICTURE. IT SHOULD BE EMPHASIZED TO THE COMMITTEE THAT THE EXISTING ARRANGEMENTS WERE NOT INTENDED TO BE PERMANENT. WE BELIEVE THAT THE PRESENT MORTGAGE AND MONEY MARKETS AFFORD THE STATE OF NEVADA A REAL OPPORTUNITY TO RESOLVE THE PROBLEMS OF THESE NEVADA ASSOCIATIONS AND

WU 1201 (R 5-69)

Department of the Treasury

ELIMINATE THE NEED FOR ASSISTANCE BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION. =

= WE HAVE CONSIDERED YOUR QUESTION AS TO WHETHER FSLIC CAN GUARANTEE THE MORTGAGE LOANS PURCHASED BY NEVADA HLMC AND IT IS THE INFORMAL OPINION OF THE STAFF OF THE OFFICE OF GENERAL COUNSEL, SUBJECT TO APPROPRIATE CLEARANCE BY THE GENERAL COUNSEL, THAT SUCH A GUARANTEE WOULD PROBABLY BE IN ACCORD WITH THE INSURANCE CORPORATION'S POWER IN CONNECTION WITH THE LIQUIDATION OF THE DEBT OF THE ASSOCIATIONS TO THE INSURANCE CORPORATION.

= ROBERT B OBRIEN JR DIRECTOR FEDERAL SAVINGS AND LOAN INSURANCE CORP. =