2.59.102 BANKS - DIRECT LEASING OF PERSONAL PROPERTY

(1) Under authority granted by 32-1-362 , MCA, the department hereby permits state banks of Montana to engage in the business of direct leasing of personal property under the following regulations:

(a) A bank may purchase personal property to be leased only after it has a valid and binding commitment from the prospective lessee to lease the specific property under terms acceptable to the bank.

(b) Lease agreements with any one lessee may not exceed 40% of the unimpaired capital and surplus of the bank. If the lessee is also a borrower from the bank this 40% must be reduced by the balance of loans to the lessee.

(c) Every lease agreement must provide for full payout to the bank of its full acquisition cost of the lease property during the initial term of the lease.

(d) Residual value of the property at the end of a lease agreement's original term may be considered by the bank to constitute partial recovery of its cost of acquisition if such residual value is not more than 25% of the cost of acquisition.

(e) No lease agreement shall extend for an initial period of more than ten years or the leased property's normal useful life, whichever is less, unless the bank receives from the department prior written approval of each lease agreement of longer term.

(f) Each lease agreement must include provisions whereby the lessee disclaims any liability of the bank for the condition of the leased property or its quality; and whereby the lessee assumes full responsibility for protection and maintenance of the leased property.

(2) Any formerly leased personal property returned to the bank by default, completion of the lease, or otherwise, must be disposed of by the bank by sale or lease within one year after gaining legal possession.

Authorizing statute(s): 32-1-362, 32-1-455, MCA

Implementing statute(s): 32-1-362, 32-1-455, MCA

History: Eff. 9/5/74; AMD, 1989 MAR p. 1280, Eff. 9/1/89; TRANS, from Commerce, 2001 MAR p. 1178.