

HOUSE BILL 870

By Sexton

AN ACT to amend Tennessee Code Annotated, Title 45,
relative to banks.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 45-2-607(b)(2), is amended by deleting the subdivision in its entirety and by substituting instead the following:

(2)

(A) Real property shall be sold within ten (10) years

(B) If the bank holds the real property for a period longer than five (5) years, then after an initial five-year period, the bank, in reporting its financial status to the department, shall write off twenty percent (20%) of the appraised value of the real property each subsequent year it is held until the real property is either sold or the ten-year period has elapsed. Upon application of the bank, the commissioner may, in extraordinary circumstances, adjust or waive the percentage a bank shall write off the real property each year, may extend the period in which the real property may be held beyond ten (10) years, or any combination of the foregoing. If the commissioner reduces, waives, or adjusts the amount of write off, the real property may not be carried at more than the appraised value of the property;

(C) Real property which has been written off but not disposed of shall be maintained on the bank's books at some nominal value;

(D) If the bank's board of directors deem the real property owned to be a prudent investment for income or appreciation for the bank, the board may take

action to maintain the real property on the bank's books as an investment, pursuant to subdivision (a)(9);

(E) The bank shall obtain annually from an independent, qualified appraiser a current appraisal of fair market value for each parcel of real property owned and for each parcel of investment real property. The bank shall obtain an appraisal not more than one hundred and twenty (120) days before or more than thirty (30) days after the date the parcel is acquired by the bank as real property owned, or from the date on which the bank legally acquires real property for investment purposes, to obtain this appraisal. Within twelve (12) months of the first appraisal, and every twelve (12) months thereafter for as long as the bank owns the real property, another independent appraisal or a written update must be obtained that confirms the current fair market value; and

(F) Banks are required to obtain appraisals on all parcels where book value exceeds one-half of one percent ($\frac{1}{2}$ of 1%) of total equity capital. Any bank whose one-half of one percent ($\frac{1}{2}$ of 1%) of total equity capital is less than twenty-five thousand dollars (\$25,000) shall be required to obtain appraisals on parcels whose book value is twenty-five thousand dollars (\$25,000) or greater; provided, however, that any bank whose one-half of one percent ($\frac{1}{2}$ of 1%) of total equity capital is greater than one hundred fifty thousand dollars (\$150,000), shall be required to obtain appraisals on parcels whose book value is one hundred fifty thousand dollars (\$150,000) or greater. For the purpose of this subdivision (b)(2)(F), a bank's total equity capital is defined as the total of its capital stock, surplus, and undivided profits.

SECTION 2. The department of financial institutions is authorized to promulgate such rules and regulations in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, or issue departmental bulletins in lieu of such regulations, to implement the provisions of this act.

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.