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FLOOR DEBATE

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mezzanine loan that's made in conjunction with a first mortgage, it indicates that that kind of loan can be made so long as it does not exceed 100 percent of the value of the real estate. Now, granted, there's a further limitation in here with respect to an insurer's investments in these types of securities, indicating that they shall not exceed 3 percent of its admitted assets. But I'm very interested in knowing why these kinds of loans can be at 100 percent. I've read the definition of a mezzanine real estate loan. That's a new term to me. I don't pretend to understand that definition entirely, and its implications. But I do understand that it relates to a pledge of a direct or indirect equity interest, in terms of making up for some extended security with regard to the loan-value ratio. And I'm just not altogether confident that an equity interest in these kinds of companies in hard times is going to be of that much additional value. And so again, along the same lines of the security that we statutorily are requiring, I would very much like that to be a part of the discussion.

SENATOR CUDABACK: Senator Mines.

SENATOR MINES: I'm sorry. Thank you, Mr. President. Senator Beutler, mezzanine loans are indeed new to me as well. But as I understand it, they are commercial loans for large commercial developments. And why the bar is set at 100 percent, I don't know that. And I think we do need to follow up. I don't know.

SENATOR BEUTLER: Okay. Senator Mines, I appreciate the candidness of your answer. Senator Cudaback, I would end my inquiries with regard to this bill at this point. Thank you.

SENATOR CUDABACK: Thank you, Senator Beutler.

SENATOR BEUTLER: And I'd like to thank the members of the Legislature for putting up with some arcane discussion. But I think it's important for the record. Thank you.

SENATOR CUDABACK: Thank you, Senator Beutler. Further discussion on the advancement of LB 119? Senator Mines, there are no lights on. You're recognized to close on the amendment, if you care to.