

MAINE STATE LEGISLATURE

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CHAPTER 49

LOANS

Sec.

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§ 551. Mortgage loans

1. Mortgage laws. A savings bank may make loans to individuals or corporations, to be secured by a first mortgage of real estate located in any of the New England states, upon the following conditions and within the following limitations:

A. In an amount not exceeding 66 $\frac{2}{3}$ % of its appraisal of the market value of such real estate;

B. In an amount not exceeding 75% of its appraisal of the market value, providing the note or other obligation evidencing the loan shall require monthly payment of the interest and principal thereon at a rate of regular amortization sufficient to repay the entire loan within a period not exceeding 25 years, or shall require full payment of such loan within a period of 3 years. No such loan of 3 years or less shall be renewed for any sum in excess of 66 $\frac{2}{3}$ % of the then existing market value.

C. Without regard to any other law, savings banks of this State are authorized to make or buy and sell any loan, secured or unsecured, or any real estate installment sale contract, which is insured or guaranteed in any manner in part or in full by the United States or any instrumentality thereof, or by this State or any instrumentality thereof, or for which there is a commitment to so insure or guarantee, or for which a conditional guarantee has been issued. The disability of minority of any person otherwise eligible for a loan, or guaranty or insurance of a loan, pursuant to the Act of the Congress of the United States entitled the Servicemen's Readjustment Act of 1944, as heretofore or hereafter amended, and of the minor spouse of any eligible veteran, in connection with any transaction entered into pursuant to said Act of the Congress of the United States, as heretofore or hereafter amended, shall not affect the binding effect of

any obligation incurred by such eligible person or spouse as an incident to any such transaction, including incurring of indebtedness and acquiring, encumbering, selling, releasing or conveying property, or any interest therein, if all or part of any such obligation be guaranteed or insured by the Government or the Administrator of Veterans' Affairs pursuant to said Act and amendments thereto; or if the administrator be the creditor, by reason of a loan or a sale pursuant to said Act and amendments. This section shall not create, or render enforceable, any other or greater rights or liabilities than would exist if neither such person nor such spouse were a minor.

D. A savings bank may make loans to individuals secured by first mortgage of real estate in any state in the United States, to an amount not in excess of the market value thereof, or purchase such notes, bonds or other obligations secured by such a mortgage, if such loans have been guaranteed or insured by the Federal Housing Administration, or if the Federal Housing Administration has made a commitment to guarantee or insure them, all such loans to conform to the federal legislation pertaining thereto and to regulations established thereunder.

E. No savings bank shall have more than 70% of its deposits invested in real estate mortgages; except that it may invest up to 85% therein, provided that the excess over 70% of its deposits is invested in real estate mortgages that are guaranteed or insured by the Federal Housing Administration, or by the Federal Government under Title III, sections 500 to 505, of the Servicemen's Readjustment Act of 1944, as enacted or subsequently amended, or by the Maine Industrial Building Authority.

F. Any interest in real property which may now be mortgaged to a savings bank under paragraphs A to E may be mortgaged to secure existing debts or obligations, to secure debts or obligations created simultaneously with the execution of the mortgage, to secure future advances necessary to protect the security and to secure future advances to be made at the option of the parties up to a total amount stated in the mortgage, and all such debts, obligations and future advances shall, from and as of the time the mortgage is filed for record as provided by law, be secured by such mortgage and have priority over the rights of all persons who

subsequent to the recording of such mortgage acquire any rights in or liens upon the mortgaged real estate to the extent the aggregate amount outstanding at any one time of such debts, obligations and future advances shall not exceed the total amount stated in the mortgage; except that:

(1) The mortgagor or his successor in title is authorized to file for record, and the same shall be recorded in the same recording office as the original mortgage, notice limiting the amount of optional future advances secured by such mortgage to not less than the amount actually advanced at the time of such filing, provided a copy of such filing is filed with the mortgagee, and

(2) The priority of such debts, obligations and future advances shall not include any future optional advances secured by such mortgage made by such bank after any such person, in addition to acquiring such subsequent right or lien, sends the bank by registered mail or delivers to an officer of the bank and secures a receipt therefor express written notice stating that any such optional advances thereafter made will be junior to such person's mortgage or lien upon or rights in such real estate.

“Future advances” referred to in this paragraph shall include only those made to recipients designated in the mortgage.

This paragraph shall apply to all banks and trust companies.

G. A savings bank may make loans to individuals or corporations, secured by first mortgage of real estate to any amount not in excess of the purchase price thereof, if such loans are made to enable the mortgagor to purchase from the bank real estate by it acquired through foreclosure or by deed in lieu of foreclosure.

1955, c. 380, § 1; 1957, c. 245; 1959, cc. 7, 211; 1961, c. 179, § 4; 1963, c. 162, §§ 4, 5; c. 111.

§ 552. Collateral loans

A savings bank may make loans to individuals or corporations, to be secured by collateral other than a first mortgage on real estate, upon the following conditions and within the following limitations:

1. Securities. The note or other obligation evidencing the loan shall be secured by a pledge of any securities which the institution itself may lawfully purchase under chapter 51 provided the amount of the loan does not exceed 90% of the market value of such securities.

2. Savings deposit book or share certificates. The note or other obligation shall be secured with a pledge as collateral of any savings deposit book issued by any savings bank, trust company or national bank in any New England state or the state of New York, or of a passbook or share certificate issued by any loan and building association, savings and loan association, or cooperative bank in any New England state or the state of New York, to such an amount, not in excess of the book value thereof, as in the judgment of the trustees will afford an ample margin of security.

3. War veterans' compensation certificates. The note or other obligation evidencing the loan shall be secured by war veterans' compensation certificates issued in accordance with any adjusted compensation act of the United States, now existing or hereafter enacted, to an amount not in excess of the value of such certificates at the time of the loan, according to the United States table of values as stated in said certificates.

4. Life insurance policies. The note or other obligation shall be secured by a pledge as collateral of insurance policies on the life of the borrower, issued by any life insurance company licensed to do business in the State of Maine, having a present cash or loan value in excess of the amount of the loan.

5. Other obligations or stocks. The note or other obligation shall be secured by a pledge of collateral of such other obligations, individual or corporate, or such corporate stocks as in the judgment of the trustees it is safe and for the interests of the bank to accept, to an amount not exceeding 80% of the market value thereof.

6. Limitation. The aggregate of all collateral loans made by any savings bank, other than those secured by obligations of the United States Government, shall at no time exceed 10% of its deposits and not more than 1% of its deposits shall be loaned on the obligations and stock of any single corporation.

1955, c. 380, § 1.

§ 553. Unsecured loans

A savings bank may make loans to individuals or corporations without the security of a real estate mortgage or pledge of collateral enumerated in section 552 upon the following conditions and within the following limitations:

1. Corporations. To any municipal or quasi-municipal corporation in this State when duly authorized by such municipality or corporation;

2. Associations. To any religious, charitable, educational or fraternal association;

3. Individuals. To any responsible individual borrower or borrowers, evidenced by their notes or other obligations upon the following conditions:

A. To an amount not exceeding \$2,500 for any one individual provided that the note or other obligation will be paid in full in one year or that the note or other obligation requires monthly or quarterly amortization of the principal within a period not exceeding 5 years from date. The aggregate of all loans made under this division shall not exceed 7% of the deposits of the bank;

B. To an amount within the discretion of the trustees, providing the loan is eligible for insurance under the National Housing Act and seasonable application is made under Title I of that Act;

C. To an amount within the discretion of the trustees, providing the loan is made to assist the borrower to further his higher education and is guaranteed in full or in part by the New England Higher Education Assistance Foundation.

1955, c. 380, § 1; 1959, cc. 26, 55; 1961, c. 179, § 6; 1963, c. 162, § 6.

§ 554. Participation loans, other than real estate

1. Limitations. A savings bank may purchase participations in term loans other than real estate, secured or unsecured, from national banks or trust companies located in this State, the proceeds of which are to be used in the establishing or carrying on of a business venture of any kind located principally within this State, provided that:

A. No participation in any one loan shall exceed 75% of the amount of the loan;

B. The total participations in loans to any one borrower shall not exceed 1% of total deposits; and

C. The aggregate outstanding balance of loans made under this section shall not at any one time exceed 10% of total deposits.

2. Administration. Disbursement, collection, custody of documents and all other matters relating to the originating and servicing of a loan during its term may be administered in any manner agreed upon by the participants with or without fees, provided that each loan shall be:

A. Evidenced by a participation certificate signed by the selling bank;

B. Supported by a warranty of the selling bank to service the loan throughout its entire term, and to maintain at all times a minimum participation of 25% of the outstanding loan balance;

C. Supported by a comprehensive analysis, prepared by the selling bank and furnished to the purchasing bank, of balance sheets, earnings statements and surplus reconciliations covering the most recent 5 years of operations, or for the number of years in business if less than 5; and

D. Further supported by a report, prepared at least annually, of the loan, its security, if any, and the financial status of the borrower.

3. Repayment. All loans under this section shall be made subject to a specific repayment schedule.

1963, c. 84.

§ 555. Loans on property at Eastern Slope Regional Airport

A savings bank may make loans to be secured by mortgages, pledges or collateral assignment of leasehold interests of property located on the Eastern Slope Regional Airport in Fryeburg, Oxford County, to the same extent as if such banks were loaning upon the security of mortgages on property owned by the mortgagor in fee simple.

1963, c. 111.