

MAINE STATE LEGISLATURE

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CHAPTER 155
INVESTMENTS

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§ 1831. Investments authorized

The funds of every association shall be invested in accordance with chapters 141 to 167.

1961, c. 198, § 1.

§ 1832. Loans

Investments in loans may be made as follows:

1. Mortgage loans. In any loan evidenced by a note and secured by a mortgage which shall be a first lien on real estate, subject to the following limitations and requirements:

A. Prior to approval of any loan every association shall appraise or cause to be appraised each parcel of real estate in one or more of the following ways:

(1) By an independent qualified appraiser designated by the board of directors; or

(2) By the association's appraisal committee appointed by the board of directors; or

(3) In the case of an insured or guaranteed loan, by an appraiser appointed by any lending, insuring or guaranteeing agency of the United States or the State of Maine, which shall insure or guarantee such loan, wholly or in part.

B. Each appraisal shall be in writing with a certificate signed by the appraiser or appraisers, which appraisal shall be filed and preserved by the association.

C. Direct reduction loans shall be repayable in weekly or monthly instalments. All payments made upon such loans

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shall be applied first to interest and other charges and the remainder to the reduction of the principal of the loan. Loans made under this subsection shall be subject to the following limitations or requirements:

(1) To an amount not exceeding 80% of the appraised value of one to 4-family residential property or combination residential and business property, repayable in a period not exceeding 25 years;

(2) To an amount not exceeding 70% of the appraised value of any other type of improved real estate, repayable in a period not exceeding 20 years;

(3) Principal payments on any loan may be waived from time to time for good cause by an authorized officer whose action is confirmed by the board of directors.

(4) Principal payments on construction loans may be postponed for a maximum of one year from the date of the note, providing the final maturity date of the loan does not exceed the limits as established in subparagraphs (1) or (2).

D. Non-amortizing real estate loans may be made subject to the following terms:

(1) Interest must be payable at least semiannually.

(2) No loan may have a maturity exceeding 5 years.

(3) No loan may exceed 66 $\frac{2}{3}$ % of appraised value.

E. Loans written under paragraph C, subparagraph (2) and paragraph D, together with loans on properties located more than 50 miles from an association's place of business and loans in excess of \$25,000 or 10% of surplus funds, whichever is larger, shall not in aggregate exceed 20% of total assets.

F. No association shall make a loan secured by any one property which exceeds \$25,000 or 10% of surplus funds, whichever is the larger; nor shall the total loans to any one borrower or group of associated borrowers exceed \$35,000 or 20% of surplus funds, whichever is the larger.

G. After January 1, 1963 the aggregate total of all loans made by any association under this section shall not exceed 100% of withdrawable accounts and surplus funds as determined by the commissioner, unless the commissioner shall, for good cause shown, on application therefor approve an amount in excess of said amount subject to such conditions as the commissioner may approve.

H. Real estate loans may be made on the sinking fund plan in amounts not exceeding the limits hereinbefore specified in this section. Any shares pledged for real estate loans, known as sinking fund shares, may be cancelled and the full amount of these shares, including dividend credit thereon, less all monthly installments of interest, fines, taxes and any other legal charges in arrears, may be endorsed on the mortgage note and future payments handled in the same manner as with direct reduction loans, with the written agreement of the borrower. When such agreement for transfer is entered into, a copy of the agreement shall be placed in the association files and copy given to the borrower.

I. Additional loans upon the same real estate or a portion thereof may be made provided any mortgage securing such loan shall contain a provision to the effect that the premises described are subject to such prior mortgage or mortgages to the mortgagee and provided further that there shall be no intervening mortgage or encumbrance other than those held by the association concerned.

2. Account loans. In loans secured by a pledge of a member's account, no such loan shall exceed the withdrawal value of the pledged account, less interest thereon for a period of 6 months.

3. Guaranteed loans. In loans guaranteed or insured in whole or in part by the United States of America or the State of Maine, any instrumentality or agency of either of them, or for which a commitment to so guarantee or insure has been made. Such loans shall not be subject to the restrictions of chapters 141 to 167, but shall be made in accordance with the terms and conditions permitted by the agency guaranteeing or insuring such loans, notwithstanding any other provisions of law limiting interest or other charges or prescribing terms and conditions. Such loans shall include only those which are made for the purchase or improvement of real estate, or for the construction, alteration, repair or improvement of buildings erected thereon; or those which may be made for any other purpose provided they be secured by a mortgage on real estate.

4. Real estate improvement loans. In real estate improvement loans to any member, evidenced by a note without the security of a real estate mortgage or pledge of collateral upon the following conditions:

A. To an amount not exceeding \$2,500, directly or indirectly, provided that the association is the holder of a first mort-

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gage upon the property to be improved, that each such loan is evidenced by one or more negotiable notes, and that each loan is repayable in regular monthly installments within the period of 5 years;

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

C. The aggregate of all loans made under paragraph A shall not exceed 5% of the withdrawable accounts of the association.

5. Open end mortgages. Any interest in real property which may be mortgaged to an association 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 the time the mortgage is filed for record as provided by law, be secured by such mortgage equally with and have the same 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, as the debts and obligations secured thereby at the time of the filing of the mortgage for record; except that:

A. 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 also filed with the mortgagee, and

B. The priority of such debts, obligations and future advances shall not include any future optional advances secured by such mortgage made by such association after such person, in addition to acquiring such subsequent right or lien, sends the association by certified mail or delivers to an office of the association 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.

C. "Future advances" referred to in this subsection shall include only those made to recipients designated in the mortgage.

6. **Minority of borrower.** 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, 58 Stat. 284, as heretofore or hereafter amended, 38 U.S.C. 693 et seq., 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 for the government by 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.

1961, c. 198, § 1.

§ 1833. Repayment of loan

A borrower from an association may repay a loan at any time upon application to the association, whereupon, on settlement of his account, he shall be charged with the full amount of the original loan, together with all monthly installments of interest, premium and fines in arrears, and shall be given credit for the withdrawing value of any account pledged and transferred as security and all other sums credited to said loan, and the balance shall be received by the association in full satisfaction and discharge of said loan.

1961, c. 198, § 1.

§ 1834. Other investments

An association may invest as follows:

1. **Obligations of the United States.** In obligations of or guaranteed as to principal and interest by the United States of America or the State of Maine.

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2. Federal Home Loan Bank obligations. In bonds, notes, debentures, or other securities or time deposits or obligations issued by any Federal Home Loan Bank of the United States or by the Federal Home Loan Bank System.

3. Participation in mortgage loans. In the investment in participating interests in mortgage loans. The mortgage which secures payment of any such participating interest shall be a first lien upon real estate and shall conform with the limitations, conditions and requirements set forth in chapters 141 to 167. Such participating interest shall entitle the association to share all money and other benefits derived from such mortgage loan, or incidental thereto, pro rata with, or with preference and priority over, the holder of any other participating interests therein. The total amount invested in such participating interests by any association shall not exceed 10% of its withdrawable accounts at the time any such investment is made.

4. Accounts of other associations. In accounts of any insured association of this State and of any federal association whose principal office is located in this State, provided that no such investment in any association shall be in excess of the amount insured by the Federal Savings and Loan Insurance Corporation.

5. Investments. In securities which are or may hereafter be made legal for savings banks of Maine and within the limits permissible for such banks, and such other investments as are or which shall hereafter be authorized by any law of this State for associations regulated by chapters 141 to 167.

1961, c. 198, § 1.

§ 1835. Real estate

Investments may be made in real estate as follows:

1. Office building for transaction of association business. In the purchase of improved or unimproved real estate and in the erection or improvement of buildings thereon together with fixtures and equipment for the purpose of providing offices for the transaction of an association's business. Such buildings may include space for rental purposes. The cost to the association of such lands, buildings, fixtures and equipment shall not exceed 50% of the sum of such association's surplus funds at the time such investment is made, unless the commissioner shall, for good cause shown, on application therefor approve an amount in

excess of said amount subject to such conditions as the commissioner may approve.

2. Other real estate. In the acquisition by purchase or otherwise of any real estate upon which the association may have a mortgage, judgment, lien or other encumbrance, or in which it may have an interest for the purpose of protecting and conserving such interest. The association may sell, convey, contract to sell, lease or mortgage at pleasure the real estate so acquired to any person or persons whatsoever. Any real estate so acquired may be sold and such association in the discretion of its board of directors may accept the note of the purchasers, secured by a first mortgage, upon such terms and conditions as the directors may determine.

1961, c. 198, § 1.

§ 1836. Restrictions

No association shall make any of the investments authorized by chapters 141 to 167, except those authorized by section 1832, subsection 2, and section 1834, subsections 1 and 2, if and so long as the sum of its cash on hand and in banks and savings and loan associations and the market value of its investments in obligations of the United States of America is less than 5% of its withdrawable accounts.

No association shall make any of the investments authorized by chapters 141 to 167 except investments authorized by section 1834, subsections 1 and 2, at any time when any application for withdrawal remains unpaid in whole or in part, 6 months after the date of the filing thereof.

1961, c. 198, § 1; 1963, c. 85, § 5.

§ 1837. Dividend participation

1. Rate of dividend. At least annually and after determination of the net income for the dividend period and the establishment of reserves required or permitted by law, the board of each association shall determine by resolution the rate or rates of dividend, if any, which shall be declared for each class of shares or accounts. Such dividends shall be taken only from the net income or from other surplus funds not otherwise restricted by law.

2. Exclusion from dividends. Notwithstanding any other provisions of chapters 141 to 167, an association may, if its by-

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laws so provide, exclude from dividends either or both of the following classes of shares or accounts:

- A.** Those having a participation value of less than \$50;
- B.** Those which are issued under a plan whereby they will be withdrawn within 24 months from the date upon which they are issued, or it may credit dividends to such shares or accounts according to a schedule which it may establish, provided that such schedule shall not result in the crediting of dividends to any of such shares or accounts at a rate greater than that applicable to any class of shares or accounts, other than those described in this subsection.

1961, c. 198, § 1.

§ 1838. Guaranty fund

Every association shall establish and maintain a guaranty fund as set forth. Before declaring dividends, the board of directors shall set aside a sum at a rate not less than 10% per year of the net income accruing since the last dividend declaration, until such guaranty fund amounts to 5% of the association's withdrawable accounts and thereafter such sums as from time to time shall be voted by the board of directors. The funds shall be kept constantly on hand as a security against losses and contingencies, except that any portion of the guaranty fund in excess of 5% of the association's withdrawable accounts shall be available and may be used for dividends or such other purposes as the directors deem appropriate. Should this fund be less than 5% of withdrawable accounts on September 16, 1961 or should it later become impaired and fall below 5% of the association's withdrawable accounts, it shall be restored by setting aside from current net income an amount which together with other amounts so set aside for this purpose during the fiscal year shall be equal to at least $\frac{1}{2}$ of 1% of its withdrawable accounts until the fund is restored to the required amount.

An association insured with the Federal Savings and Loan Insurance Corporation may designate its guaranty fund as its federal insurance reserve account.

1961, c. 198, § 1.