

# MAINE STATE LEGISLATURE

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FIRST SPECIAL SESSION

ONE HUNDRED AND FIFTH LEGISLATURE

Legislative Document

No. 1887

S. P. 706

In Senate, January 24, 1972

Committee on State Government suggested.

HARRY N. STARBRANCH, Secretary

Presented by Senator Sewall of Penobscot.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-TWO

**AN ACT** Relating to Guarantees by the State Industrial  
Building Authority and the Maine Recreation Authority.

Be it enacted by the People of the State of Maine, as follows :

**Sec. 1. R. S., T. 10, § 803, sub-§ 2, amended.** The first sentence of subsection 2 of section 803 of Title 10 of the Revised Statutes, as repealed and replaced by section 11 of chapter 525 of the public laws of 1967 and as amended, is further amended to read as follows :

Involves a principal obligation not to exceed \$4,000,000 for any one project and not to exceed 90% of the total amount loaned by the mortgagee which total amount shall not exceed 90% of the cost of project related to real estate, except 80% of the cost of project in the case of real estate in the form of documented fishing vessels, and 75% of the cost of project related to machinery and equipment.

**Sec. 2. R. S., T. 10, § 803, amended.** Section 803 of Title 10 of the Revised Statutes, as amended, is further amended by adding at the end the following new paragraph :

**With respect to insured mortgages relating to real estate, the same proportion of insurance by the authority and participation by the mortgagee shall be maintained until the mortgage is fully paid.**

**Sec. 3. R. S., T. 10, § 6003, sub-§ 2, amended.** Subsection 2 of section 6003 of Title 10 of the Revised Statutes, as amended, is further amended to read as follows :

2. **Principal obligation; limit.** Involve a principal obligation, including initial service charges and appraisals, inspection and other fees approved by

the authority, the guaranteed portion of which is in an amount of not less than \$100,000 nor more than 20% of the amount set forth in the Constitution, Article IX, section 14-B, as it may be amended from time to time, for any one project and not to exceed 90% of the total amount loaned by the mortgagee which total amount shall not exceed 75% of the cost of the project at the time the mortgage is executed; provided that the above \$100,000 minimum shall not prevent the authority from increasing an existing guaranteed loan to an amount less than \$100,000. The same proportion of insurance by the authority and participation by the mortgagee shall be maintained until the mortgage is fully paid;

#### STATEMENT OF FACT

This legislation is designed so that banks loaning money on mortgages to be insured by the Maine Industrial Building Authority or Maine Recreation Authority will have to assume a small portion of the risk in loans guaranteed by the authorities. Presently, the amount loaned by a bank is fully insured, thus the bank is fully protected and is not as interested in servicing the mortgage as would be the case if some of its own funds were used. For example, under present statutes if a company desires to build a project costing \$100,000, the Maine Industrial Building Authority will insure a \$90,000 bank loan and the company must contribute \$10,000 of its own equity. The bank making the loan is fully protected. Under the amendment, the company could still borrow \$90,000 from the bank but the Authority would only insure \$81,000 and the bank would have to assume the risk of \$9,000. The result will be that the banks will police insured mortgages more thoroughly and the State would be better protected.