

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
SENATE  
107TH LEGISLATURE

COMMITTEE AMENDMENT "A" to S.P. 192, L.D. 660, Bill,  
"AN ACT to Create a Construction Loan Program in which the  
Maine Housing Authority and Financial Institutions May  
Participate."

Amend said Bill by inserting after section 1 the  
following:

'Sec. 1-A. 30 MRSA §4601-A, sub-§2 is enacted to read:

2. Restrictions. Notwithstanding any other provision  
of this subchapter, the state authority shall not provide  
funds for, finance, purchase the mortgage on, or otherwise  
assist in the construction or management of:

A. Any housing owned, sponsored or assisted by an  
institution of higher education in this State; or

B. Any housing, the mortgage on which is insured  
by any federal or state program of mortgage insurance,  
the primary purpose of which is to assist student housing; or

C. Any nursing home or related institution licensed or  
subject to license by the Department of Human Services  
pursuant to Title 22, section 1817.'

Further amend said Bill in section 2 by striking out  
all of subsection 1 of that part designated "§4724." and  
inserting in place thereof the following:

'1. Procedures for participation in the making of  
construction loans. The state authority shall establish regulations  
governing, without limitation, the following subjects and

procedures for participating in the making of construction loans:

- A. The submission, review and acceptance of requests from borrowers for construction loans under this section;
- B. Qualifications of borrowers;
- C. Limitation on and standards for location and construction of housing units or housing projects;
- D. Schedules of fees and other charges made by the authority and the financial institution to the borrower in accepting, reviewing and acting upon applications for construction loans under this Article; and
- E. Restrictions on the interest rates charged by the financial institutions and the authority on such construction loans or the return on such loans to be realized by the financial institution.'

Further amend said Bill in section 2 by striking out all of that part designated "§4725." and inserting in place thereof the following:

'§4725. Bonds; issuance, separability of provisions

The state authority is hereby authorized to issue bonds from time to time to carry out the purposes of this Article. Such bonds shall be secured in such manner as the state authority may by resolution provide. The bonds shall be known as construction loan bonds. The authority to issue construction loan bonds under this Article shall constitute

a complete, additional and alternative method for the issuance of bonds from that provided in any other Article in this subchapter. No limitation or restriction as to use of proceeds or total authorized amount of obligations outstanding stated in this Article shall apply to bonds issued pursuant to any other Article of this subchapter, nor shall such restrictions or limitations recited in other Articles apply to bonds issued pursuant to this Article. The provisions of sections 4756 to 4762 shall not be applicable to bonds issued pursuant to this Article. The provision in section 4722 restricting construction loans to housing projects for persons of low income shall be considered satisfied if at least a reasonable number of the families or individuals who will occupy the mortgaged premises are persons of low income as defined in this subchapter. All other provisions of this subchapter shall apply to bonds issued pursuant to this Article.

The state authority shall not at any time have, in the aggregate principal amount thereof outstanding, construction loan bonds in excess of \$25,000,000. In computing the total amount of construction loan bonds of the state authority which may at any time be outstanding, the amount of the outstanding bonds refunded or to be refunded from the proceeds of the sale of new bonds or by exchange of new bonds shall be excluded.'

Further amend said Bill by inserting at the end before the emergency clause the following:

'Sec. 2-A. 30 MRSA § 4751, 3rd ¶, as amended by PL 1969, c. 564, §6, is further amended to read:

Bonds of an authority shall be authorized by its resolution and may be issued in one or more series and shall bear such date or dates, mature at such time or times, bear interest at such rate or rates, ~~not-exceeding-8% per year,~~ be in such denomination or denominations, be in such form either coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in such medium of payment, at such place or places, and be subject to such terms of redemption with or without premium, as such resolution, its trust indenture or mortgage may provide.

Sec. 3. 30 MRSA §4751, 5th ¶, is amended to read:

The bonds may be sold at public or private sale at ~~not-less-than-par.~~ Any provision of any law to the contrary notwithstanding, any bonds issued pursuant to this subchapter shall be fully negotiable.

Sec. 4. 30 MRSA §4757, sub-§2, as enacted by PL 1969, c. 470, §18, is amended to read:

2. That, when the obligation so sold is secured by land and improvements constituting a one-family to 4-family housing unit or has been held by the originator for more than one year since the completion of the construction of the securing structure, the proceeds of sale or its equivalent shall be reinvested in residential mortgages or notes within the State of Maine, or invested in short term obligations pending the purchase of such residential mortgages.

Sec. 5. 30 MRSA §4758, first sentence, as enacted by PL 1969, c. 470, §18, is repealed and the following enacted in place thereof:

~~The state authority shall not purchase from a seller who~~  
has previously sold to the state authority loans or obligations secured by land and improvements constituting one-family to 4-family housing units any new loan or obligation secured by land and improvements constituting a one-family to 4-family housing unit until such seller has completed the reinvestment in residential mortgages or the purchase of such residential mortgages contemplated in section 4757 and so informed the state authority in writing, provided, however, that if any seller had entered into a contract with the state

authority prior to May 1, 1975, which contract provided for reinvestment of the proceeds of the sale of mortgages or obligations with certain restrictions within a certain time period, compliance with the terms of such contract shall constitute compliance with this section, and any seller who is performing within the terms of said contract shall be deemed to have completed said reinvestment requirements within the meaning of this section with respect to mortgages or obligations subject to such contract.

Sec. 6. 30 MRSA §4767, as enacted by PL 1973, c. 649, §3, is amended by adding at the end the following sentences:

For purposes of this section only, the term "proceeds of the sale of bonds or income derived from bond proceeds" does not include: The principal of the Housing Reserve Fund or any Capital Reserve Fund established pursuant to this Article; income earned in the Housing Reserve Fund or any Capital Reserve Fund; or the scheduled amortization payments of principal and interest called for by mortgages or mortgage loans purchased pursuant to this Article. The separate limitations imposed by the provisions of section 4761 on the use of moneys deposited in the Housing Reserve Fund or any Capital Reserve Fund shall not be affected by this section.

Statement of Fact

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This amendment imposes restrictions on the use of Maine State Housing Authority funds which were not included in the original version of L.D. 660. The 3 primary restrictions imposed hereby are to prohibit the use of Maine State Housing Authority funds to develop student housing in Maine, to prohibit the use of Maine State Housing Authority funds to develop nursing homes or related institutions in Maine, and to limit the amount of construction loan bonds which may be outstanding at any time to \$25 million. In addition, this amendment incorporates certain technical changes in the financing sections of the Maine Housing Authorities Act, which will eliminate the requirement that bonds be sold at par, will eliminate the ceiling on the interest rate which the authority may pay on its bonds, will alter the reinvestment requirements for institutions selling multi-family mortgages to the Maine State Housing Authority, and will clarify the definition of bond proceeds as used in the Maine Housing Authorities Act.

Reported by the Committee on State Government.

Reproduced and distributed pursuant to Senate Rule 11-A.

May 29, 1975. (Filing No. S-234).