

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

(EMERGENCY)

---

---

ONE HUNDRED AND SEVENTH LEGISLATURE

---

---

**Legislative Document**

**No. 660**

S. P. 192

In Senate, February 13, 1975

Referred to Committee on State Government. Sent down for concurrence and ordered printed.

HARRY N. STARBRANCH, Secretary

Presented by Senator Conley of Cumberland.

---

---

**STATE OF MAINE**

**IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-FIVE**

---

**AN ACT to Create a Construction Loan Program in which the Maine  
Housing Authority and Financial Institutions May Participate.**

---

**Emergency preamble.** Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the construction of new housing units in the State, and in the country, has declined disasterously in the past several months causing substantial economic hardship to the citizens of the State; and

Whereas, the Maine State Housing Authority, under the provisions of this Act, will provide construction financing through the sale of tax-exempt obligations for the construction, development and rehabilitation of housing for low income persons and families; and

Whereas, the financing of new housing construction will help stabilize the housing construction industry, provide employment for construction workers, many of whom are presently unemployed, and make new housing available for low income families and the elderly; and

Whereas, under the provisions of the United States Housing and Community Development Act of 1974, the Maine State Housing Authority must make immediate provisions for developing new federally assisted housing units in order to house Maine families; and

Whereas, performing the functions authorized by this Act, and utilizing the federal financial assistance, will provide more housing for Maine's poor and elderly and will help arrest further economic dislocation; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the fol-

lowing legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 30 MRSA § 4552, sub-§ 3-A is enacted to read:

3-A. Construction loan. "Construction loan" shall mean a loan for the purpose of developing, constructing, reconstructing or rehabilitating a housing unit or housing project and which shall be evidenced by an interest-bearing obligation constituting a first lien on land and such improvements as are financed by the loan, located in the State. In the case of an improvement on an Indian reservation, the requirement that the obligation be secured by a lien on the land shall be waived, if the obligation is fully insured pursuant to the Housing Mortgage Insurance Law.

Sec. 2. 30 MRSA c. 239, sub-c II, Art. 4-B, is enacted to read:

#### ARTICLE 4-B. CONSTRUCTION LOANS

##### § 4721. Findings and purpose

It is found that a shortage of decent housing accommodations for persons or families of low income exists in the State; that a cause of the lack of new construction in the State has been the recurrent shortage of funds from private sources; that the reduction in such construction has caused substantial unemployment and underemployment in the the construction industry which results in hardship, wastes human resources, impedes the economic and physical development of the State, causes a shortage of housing for persons of low income and adversely affects the welfare and prosperity of the State; that a stable supply of construction loan funds will encourage new housing construction; that the availability of public funds will create inducements and opportunities for public and private investment in new housing construction; and that providing such funds is necessary for the public benefit and welfare and is a public use for which such funds may be borrowed, advanced, loaned or expended.

##### § 4722. Construction loans

Notwithstanding the restrictions stated in sections 4601-A, subsection 1, paragraph L and 4767, the state authority may participate with financial institutions in the State in the making of construction loans for the purpose of land development and the construction of housing units or housing projects for persons of low income, under such terms and conditions as the state authority may by rules or regulations establish.

##### § 4723. Participation requirements

The state authority shall not participate in the making of construction loans unless a financial institution in the State shall agree to participate in such loan at least to the extent of 15% of the principal amount of the loan. Notwithstanding any other provisions of law to the contrary, financial institutions in the State are hereby authorized and empowered to act as required by the provisions of this Article.

**§ 4724. Rules and regulations**

1. Procedures for participation in the making of construction loans. The state authority shall establish regulations governing, without limitation, the following procedures for participating in the making of construction loans:

- A. Procedures for the submission, review and acceptance of requests from borrowers for construction loans under this section;
- B. Procedures for qualifications of borrowers;
- C. Procedures for limitation on, location of and standards for the construction of housing units or housing projects;
- D. Procedures for 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. Procedures for 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.

2. Public hearings. The state authority shall provide for public hearings prior to adopting any regulation pursuant to this section. At least 30 days prior to such public hearing, the authority shall publish a notice at least twice in a newspaper of general circulation in the State and in any trade, industry or professional publication which the authority deems effective in reaching persons affected.

3. Contents of notice. The notice shall:

- A. Reference the statutory authority under which the adoption of the regulation is proposed;
- B. Give the time and place of the public hearing and state the manner in which data, arguments or views may be submitted, and whether orally or in writing; and
- C. Summarize the substance of the proposed regulation, stating the subjects and issues involved.

**§ 4725. Bonds; issuance, separability of provisions**

The state authority shall have the power and is hereby authorized from time to time to issue bonds, in such principal amounts and under such terms and conditions, as in the opinion of the state authority shall be necessary to provide sufficient funds for the state authority's participation in construction loans as provided in this Article. The authority to issue bonds and the terms, conditions, purposes and uses therefor are separate from, and not limited or restricted by, the authority to issue bonds granted in the several separate Articles of this subchapter. The provisions of all other Articles of this subchapter shall be applicable to this Article, except sections 4756 to 4762.

**Emergency clause.** In view of the emergency cited in the preamble, this Act shall take effect when approved.

## STATEMENT OF FACT

This Act would allow the Maine State Housing Authority to participate in construction loans with financial institutions in the State of Maine. Participation by the Maine State Housing Authority would lower the cost of construction financing on low income housing projects by allowing the Housing Authority to use its tax-exempt moneys for up to 85% of such loans.