

MAINE STATE LEGISLATURE

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S. C.
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STATE OF MAINE
HOUSE OF REPRESENTATIVES
107TH LEGISLATURE

(Filing No. H-706)

COMMITTEE AMENDMENT" A" to H.P. 831, L.D. 1134, Bill,
"AN ACT to Revise the Laws Relating to Financial Institutions."

Amend said Bill in section 1 by striking out all of that part designated "§111." and inserting in place thereof the following:

'§111. Declaration of policy

By enactment of this Title, it is declared to be the policy of the State of Maine that the business of all financial institutions shall be supervised by the Bureau of Banking in a manner to assure the strength, stability and efficiency of all financial institutions, to assure reasonable and orderly competition, thereby encouraging the development and expansion of financial services advantageous to the public welfare and to maintain close cooperation with other supervisory authorities.'

Further amend said Bill in section 1 by striking out in subsection 5 of that part designated "§131." the underlined words "for profit"

Further amend said Bill in section 1 by striking out all of subsection 8 of that part designated "§131." and inserting in place thereof the following:

'8. Commercial loan. "Commercial loan" means a loan to a person, regardless of the nature of any property securing such loan, the proceeds of which are used for business or industrial purposes and not primarily for personal, family or household purposes.'

Further amend said Bill in section 1 by striking out all of the last sentence of subsection 19 of that part designated "§131." and inserting in place thereof the following:

'Such deposits shall not be restricted as to the nature of the depositor and shall include all checking deposits, including "personal demand deposits" as defined herein.'

Further amend said Bill in section 1 by striking out all of subsection 31 of that part designated "§131." and inserting in place thereof the following:

'31. Personal demand deposit. "Personal demand deposit" means a deposit in a financial institution made by individual solely for personal purposes and not for the purpose of, or in connection with, the carrying on of any business, trade, occupation or profession. Such deposits are payable on demand and subject to withdrawal by negotiable or transferable instruments for the purpose of making transfers to 3rd parties, but upon which no interest or dividends are paid by the institution to the depositor thereof.'

Further amend said Bill in section 1 by striking out all of paragraph C of subsection 32 of that part designated "§131." and inserting in place thereof the following:

'C. In the case of a thrift institution, savings deposits meeting the requirements of ^{paragraph B} / may also be made by a public or private corporation.'

Further amend said Bill in section 1 by striking out in the first line (same in L.D.) of subsection 4 of that part designated "§141." the following: "Posting or closing notice required" and inserting in place thereof the following: "Posting of closing notice required'

Further amend said Bill in section 1 by striking out in the first line of that part designated "§152." the following underlined word: "Superintendent" and inserting in place thereof the following: 'Superintendent's'

Further amend said Bill in section 1 by inserting in the first sentence of paragraph A of subsection 2 of that part designated "§214." after the underlined word "expenses" the following underlined words: 'incurred to fulfill the bureau's duty pursuant to this Title'

Further amend said Bill in section 1 by striking out in the next to the last sentence of paragraph A of subsection 2 of that part designated "§214." the figure "240" and inserting in place thereof the following: '251'

Further amend said Bill in section 1 by inserting before the last word of that part designated "§215." the word 'section'

Further amend said Bill in section 1 by striking out all of subsection 1 of that part designated "§216." and inserting in place thereof the following:

'1. Membership. The superintendent shall create an advisory board and appoint the members thereof in such manner and form and in a number not less than 9 nor more than 15 as the superintendent deems necessary for the purposes of advising him on the regulation, supervision and structure of financial institutions. Membership on such board shall include persons associated with representative financial institutions and shall include members of the general public. Such board shall meet at least annually at a time and place designated by the superintendent.'

Further amend said bill in section 1 by striking out all of subsection 3 of that part designated "§224." and inserting in place thereof the following:

'3. Agreements with directors, officers and corporators. A financial institution shall maintain records of all agreements between the institution and its directors, officers and corporators and all persons acting on behalf of such persons, including, but not limited to, all loans and other contracts.'

Further amend said Bill in section 1 by striking out the figure "23" in subparagraph (5) of paragraph A of subsection 1 of that part designated "§231." and inserting in place thereof the figure '24'

Further amend said Bill in section 1 by striking out in the first line of that part designated "§242." the following:
"; regulation"

Further amend said Bill in section 1 by striking out all of paragraph A of subsection 2 of that part designated "§242." and inserting in place thereof the following:

'A. The superintendent may issue an order in accordance with section 231 upon determining that any entity or entities described in subsection 1 has issued an advertisement or made a representation which is false, misleading or deceptive.'

Further amend said Bill in section 1 by striking out all of subparagraph (2) of paragraph B of subsection 2 of that part designated "§251." and inserting in place thereof the following:

'(2) The terms and substance of the proposed rule, regulation or amendment and a description of the subjects and issues involved in the promulgation of such;'

Further amend said Bill in section 1 by striking out in the first sentence of paragraph C of subsection 7 of that part designated "§254." the following underlined words: "other than a report or recommendation prepared by employees of the bureau at the request of the superintendent"

Further amend said Bill in section 1 by striking out all of subsection 1 of that part designated "§255." and inserting in place thereof the following:

_____ llegal noncompliance with this Title. A group of 25 or more persons may join together and petition the superintendent as an interested party to hold a hearing if such group submits to the superintendent a written petition asserting they have reason to believe that a financial institution holding company or financial institution subject to the laws of this State is not complying with the standards of public convenience and advantage set forth in section 253, or that such institution has violated or is violating any provision of this Title or regulation issued pursuant thereto.'

Further amend said Bill in section 1 by striking out all of subsection 4 of that part designated "§255." and inserting in place thereof the following:

'4. Grant or denial of request. Unless the superintendent shall deem the petition frivolous or not bona fide, he shall designate the group as an interested party and hold a hearing pursuant to section 254 for the purpose set forth in the petition. Such decision shall be made in accordance with section 254, subsection 2.'

Further amend said Bill in section 1 by striking out in the 2nd line (first and 2nd in L.D.) of subsection 3 of that part designated "§316." the following: "; superintendent approval"

Further amend said Bill in section 1 by striking out all of the 2nd sentence of paragraph B of subsection 1 of that part designated "§325." and inserting in place thereof the following:

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'This paragraph shall become effective 2 years after the effective date of this section, and any corporator who is 72 years of age or older shall immediately retire from such board on the effective date of this paragraph.'

Further amend said Bill in section 1 by striking out all of the last sentence of paragraph D of subsection 1 of that part designated "§326." and inserting in place thereof the following:

'If a director shall violate his oath, the board, after affording him opportunity to be heard, may declare his office vacant by a vote of 2/3 of the other directors present at any meeting of the board; provided that each director has been given notice of the purpose, time and place of such meeting.'

Further amend said Bill in section 1 by striking out all of the 2nd sentence of paragraph F of subsection 1 of that part designated "§326." and inserting in place thereof the following:

'This paragraph shall become effective 2 years after the effective date of this section, and any director who is 72 years of age or older shall immediately retire from such board on the effective date of this paragraph.'

Further amend said Bill in section 1 by striking out
(same in L.D.)
in the next to the last line/of paragraph C of subsection 3
of that part designated "§326." the underlined word "regular"

Further amend said Bill in section 1 by striking out in the first line of subsection 1 of that part designated "§332." the underlined word "Director's" and inserting in place thereof the word 'Directors' '

Further amend said Bill in section 1 by striking out in the first line of subsection 1 of that part designated "§333." the underlined word "Director's" and inserting in place thereof the word 'Directors' '

Further amend said Bill in section 1 by striking out all of subsection 3 of that part designated "§333." and inserting in place thereof the following:

'3. Restrictions. A limited-time or seasonal branch office of a financial institution shall not be established in any location served by a full-time branch office of such financial institution, or of another financial institution of the same type or within the primary service area of a full-time branch office of another financial institution of the same type; provided that the existence of a limited-time or seasonal branch office shall not preclude the establishment of a full-time branch office in the same area, nor shall the establishment of such full-time office preclude the continuing operation of a previously established limited-time or seasonal branch office.'

Further amend said Bill in section 1 by striking out in that part designated "§342." the following: "other conversions"

Further amend said Bill in section 1 by inserting in paragraph D of subsection 1 of that part designated "§343." after the underlined word "services" the following:
',including home mortgage financing,'

Further amend said Bill in section 1 by striking out in the first sentence of paragraph B of subsection 1 of that part designated "§423." after the underlined words "nonbusiness purposes" the words "or that the deposit is made by a nonprofit organization operated primarily for religious, philanthropic, charitable, fraternal or other similar purposes'

Further amend said Bill in section 1 by inserting at the end of subsection 3 of that part designated "§423." the following underlined sentence:

'The superintendent in establishing minimum cash reserves under said sections shall establish the percentages at the same level for all financial institutions subject to the provisions of Parts 5, 6 and 7.'

Further amend said Bill in section 1 by inserting after subsection 11 of that part designated "§427." the following:

'12. Superintendent's authority to permit withdrawals. Except as expressly limited by other provisions of this Title, the superintendent may authorize a financial institution or institutions, by regulation, to permit the withdrawal of funds on deposit by depositors, account holders or members of said institution or institutions, in such manner or by such methods as the superintendent may deem appropriate under the

circumstances.'

Further amend said Bill in section 1 by striking out all of that part designated "§429."

Further amend said Bill in section 1 by striking out in the first line of that part designated "§434." the underlined word "participation" and inserting in place thereof the word 'participations'

Further amend said Bill in section 1 by striking out after the underlined words "said institution" in subsection 1 of that part designated "§442." the following: "and limit the amount of such deposits, exclusive of interest, to the amount of maximum insurance coverage provided by the federal corporation insuring the institution's accounts pursuant to section 422"

Further amend said Bill in section 1 by striking out in the last line of subsection 2 of that part designated "§444." after the underlined words "pursuant to section 534" the underlined word "and" and inserting in place thereof the following: 'or'

Further amend said Bill in section 1 by striking out in the first sentence of that part designated "§446." the following: "section 1014" and inserting in place thereof the following: 'section 1014,'

Further amend said Bill in section 1 by striking out at the beginning of the first line of subsection 3 of that part designated "§453." the underlined word "Superintendent" and inserting in place thereof the following: 'Superintendent's'

Further amend said Bill by striking out all of
-->that part designated "§462." and inserting in place thereof the following:

'§462. Interlocks of directors, corporators and officers

1. Prohibited interlocks. Except as provided in subsections 2 and 3, no person who is a director, corporator, officer or employee of a financial institution, credit union or financial institution holding company authorized to do business in this State shall serve as a director, corporator, officer or employee of any other such financial institution, credit union or financial institution holding company authorized to do business in this State.

2. Exceptions. The prohibitions contained in subsection 1 shall not apply to the situation where directors, officers or employees of subsidiaries of financial institutions and subsidiaries of financial institution holding companies who may also be directors, officers or employees of the parent financial institution holding company, or of other subsidiaries of such holding company.

3. Grandfather provision. The prohibitions contained in subsection 1 shall not apply to any person who is presently serving in such multiple offices until October 3, 1976.'

Further amend said Bill in section 1 by striking out in the first sentence of paragraph A of subsection 2 of that part designated "§463." the following: "1 percent" and inserting in place thereof the following: '5%'

Further amend said Bill in section 1 by striking out all of paragraph C of subsection 2 of that part designated "§463."

Further amend said Bill in section 1 by striking out in the first line of subsection 2 of that part designated "§464." the following underlined words: "Disposition of shares assumed" and inserting in place thereof the following: 'Extension of time for disposition of shares'

Further amend said Bill in section 1 by striking out all of subsection 2 of that part designated "§465." and inserting in place thereof the following:

'2. Thrift institutions and credit unions. Except for loans secured by a first mortgage on real estate, personal loans having an aggregate value of \$5,000 or less, and passbook loans, no thrift institution or credit union subject to the laws of this State shall make any loans to its officers or directors, and no thrift institution shall make a loan to its corporators unless such loans are on the same terms as are generally available to the public.'

Further amend said Bill in section 1 by striking out all of subsection 1 of that part designated "§532." and inserting in place thereof the following:

'1. Nonamortized loans. Loans in an amount not exceeding 70% of the bank's appraisal of the market value of such real estate.'

Further amend said Bill in section 1 by striking out all of the first sentence of subsection 2 of that part designated "§532." and inserting in place thereof the following:

'Loans in an amount not exceeding 90% of the bank's appraisal of the market value; provided that the note or other obligation evidencing the loan shall require monthly payments of the interest and principal thereon at a rate of amortization sufficient to repay the entire loan within a period not exceeding 30 years, or shall require full payment of the loan within a period of 3 years.'

Further amend said Bill in section 1 by striking out in the first line of subsection 4 of that part designated "§532." the following: "FHA guaranteed loans." and inserting in place thereof the following: 'FHA insured loans'

Further amend said Bill in section 1 by striking out all of subsection 5 of that part designated "§532." and inserting in place thereof the following:

'5. Loans insured by mortgage guarantee company. Loans in an amount not exceeding 100% of the bank's appraisal of the real estate's market value, if at least the top 20% of the loan is insured by a mortgage guaranty insurer licensed to do business in this State.'

Further amend said Bill in section 1 by striking out all of subsection 3 of that part designated "§533."

Further amend said Bill in section 1 by striking out at the beginning of subsection 2 of that part designated "§534." the following: '2.' and inserting in place thereof the following: '2. Limitations.'

Further amend said Bill in section 1 by striking out all of subsection 1 of that part designated "§538." and inserting in place thereof the following:

'1. Secured loans.

A. Loans secured by a pledge of any share account or deposit book or certificate issued by any financial institution located in the State of Maine, or secured by pledge of a life insurance policy or pledge of any listed securities.

B. The amount of any loan made pursuant to paragraph A shall not exceed the withdrawal value of the pledged account, or exceed the cash surrender value of any pledged life insurance policy or exceed the market value of any pledged listed securities.'

Further amend said Bill in section 1 by striking out at the beginning of subsection 4 of that part designated "§623." the following: "4." and inserting in place thereof the following: '4. Exclusion from other trust company liabilities.'

Further amend said Bill in section 1 by striking out in the first line of subsection 2 of that part designated "§633." the following: "Coverage of limitations." and inserting in place thereof the following: 'Original promisor.'

Further amend said Bill in section 1 by striking out in the next to the last and the last line of that part designated "§635." (same in L.D.) the following: "Readjustment Act. 38 U.S.C." and inserting in place thereof the following: 'Readjustment Act, 38 U.S.C.'

Further amend said Bill in section 1 by striking out the all of first line of that part designated "§728." and inserting in place thereof the following:

'§728. Deposits as legal investments of security for bonds'

Further amend said Bill in section 1 by striking out in the first line of paragraph D of subsection 3 of that part designated "§732." (same in L.D.) the figure: "95%" and inserting in place thereof the following: '100%'

Further amend said Bill in section 1 by striking out of that part designated "§738." all of subsection 1 and inserting in place thereof the following:

1. Secured loans.

A. Loans secured by a pledge of any share account or deposit book or certificate issued by any financial institution located in this State, or secured by a pledge of a life insurance policy or pledge of any listed securities.

B. The amount of any loan made pursuant to paragraph A \leftarrow \rightarrow shall not exceed the withdrawal value of the pledged account, or the cash surrender value of any pledged life insurance policy or exceed the market value of any pledged listed securities.'

Further amend said Bill in section 1 by striking out all the first line of that part designated "§764." and inserting in place thereof the following:

'§764. Account in Federal Reserve Bank'

Further amend said Bill in section 1 by striking out in the first line of paragraph A of subsection 1 of that part designated "§871." the following: "especially" and inserting in place thereof the following: 'specially'

Further amend said Bill in section 1 by striking out all of the first line of that part designated "§872." and inserting in place thereof the following: '§872. Mergers and consolidations'

Further amend said Bill in section 1 by striking out all of paragraph A of subsection 1 of that part designated "§872." and inserting in place thereof the following:

'A. Any 2 or more credit unions authorized to do business in this State may merge or consolidate into a credit union organized under the laws of the State with the approval of the superintendent obtained pursuant to section 252, and in accordance with such

procedures as the superintendent may require.'

Further amend said Bill in section 1 by striking out in subsection 3 of that part designated "§873." the following: "345, 346 and 347" and inserting in place thereof the following: '356, 357 and 358'

Further amend said Bill in section 1 by inserting after that part designated "§875." the following:

'§876. Acquisitions

A credit union organized under the laws of this State may acquire all or substantially all the assets of, or assume the liabilities of, any other credit union authorized to do business in this State; provided that such purchase or sale shall be executed pursuant to the provisions of section 355 and shall be subject to the provisions of sections 356, 357 and 358.'

Further amend said Bill in section 1 by inserting at the end of subsection 2 of that part designated "§1013." the following new sentence: 'This subsection shall not become effective until January 1, 1978.'

Further amend said Bill in section 1 by inserting at the end of subsection 2 of that part designated "§1015." the following new sentence: 'An application filed pursuant to subsection 1, paragraph B, is subject to the additional requirement that the superintendent find that the proposal would bring net new funds into the State.'

Further amend said Bill in section 2 by striking out in the first sentence of subsection 1 of that part designated "§891." the following: "section 121" and inserting in place thereof the following: 'section 131'

Further amend said Bill in section 2 by striking out in the last line of subsection 5 of that part designated "§891." the following: "section 204" and inserting in place thereof the following: 'section 214'

Further amend said Bill by striking out all of section 3 and inserting in place thereof the following:

'Sec. 3. 9 MRSA Pts. 1,2,3 and 4, sections 2303, 2341-2345, 2381 and 2382, and Pt. 6 are repealed.'

STATEMENT OF FACT

The purposes of this amendment are to bring certain sections of the bill into conformity with the recommendations of the study commission and to clarify the language of the bill.

Reported by the Majority for the Committee on Business Legislation.
Reproduced and distributed under the direction of the Clerk of the House.
6/10/75

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