

# MAINE STATE LEGISLATURE

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# ONE HUNDRED AND SEVENTH LEGISLATURE

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**Legislative Document**

**No. 1763**

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H. P. 1267

House of Representatives, April 2, 1975

On motion of Mrs. Clark of Freeport, referred to the Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mrs. Clark of Freeport.

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## STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-FIVE

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**AN ACT to Amend the Laws Relating to Savings Banks and Savings and Loan Associations.**

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

Sec. 1. 9 MRSA § 222, sub-§§ 12-15 are enacted to read:

12. Personal demand deposit. "Personal demand deposit" means a deposit in a savings bank or savings and loan association made by individuals for nonbusiness purposes, or by a nonprofit organization operated primarily for religious, philanthropical, charitable, fraternal or other similar purposes, which is 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 or to the depositor thereof.

13. Credit card. "Credit card" means a credit device by which a card holder obtains loans or otherwise obtains credit from the card issuer or other person authorized to extend such credit by the card issuer or his agent.

14. Electronic funds transfer system. "Electronic funds transfer system" means a computer payment system for transferring funds from one party to another.

15. Satellite facility. "Satellite facility" means any facility which is unmanned or manned by an independent 3rd party under a contract to a financial institution with authority to do business in Maine establishing such facility at which transactions including, but not limited to, account transfers, payments and instructions for deposits and withdrawals may be conducted and which is not part of a branch of a main office of a savings bank. Such

facility may be part of an electronic funds transfer system and may be wholly or partly owned by one or more financial institutions with authority to do business in Maine; provided that the superintendent shall approve such joint ownership.

Sec. 2. 9 MRSA § 442, sub-§ 1, first sentence, as last amended by PL 1973, c. 585, § 11, is further amended to read:

No savings bank shall establish or operate a branch ~~or~~, agency or satellite facility until it shall have received a warrant to do so from the superintendent, who shall issue such warrant only when satisfied that public convenience and advantage will be promoted thereby.

Sec. 3. 9 MRSA § 444, as enacted by PL 1967, c. 290, § 1, is repealed and the following enacted in place thereof:

§ 444. Trustee, self-employment retirement plans

A savings bank shall have power to act as trustee under a retirement plan established pursuant to the Act of Congress entitled, "Self-employed Individuals Retirement Act of 1962," as amended, or as trustee or custodian of an individual retirement account pursuant to the "Employee Retirement Income Security Act of 1974," as amended; provided that the provisions of such plans permit the funds of such trust or account to be invested in deposits in said institution.

In the event that any such retirement plan, which in the judgment of the institution constitutes a qualified plan under either said Self-employed Individual Retirement Act of 1962 or the Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder at the time the trust or account was established and accepted by the institution, is determined subsequently not to be such a qualified plan or ceases subsequently to be such a qualified plan in whole or in part, the institution may nevertheless continue to act as trustee of any deposit therefor made under such plan and to dispose of the same in accordance with the directions of the depositor and the beneficiaries thereof.

No savings bank with respect to the deposits made under this section shall be required to segregate such deposits from its other deposits except as may be required under the federal law establishing such plans. The institution shall keep appropriate records showing in prior detail all transactions engaged in under the authority of this section.

Sec. 4. 9 MRSA §§ 520 and 521 are enacted to read:

§ 520. Personal demand deposits

A savings bank may accept personal demand deposits only, as defined in section 222, subsection 12. Liquidity reserve requirements for personal demand deposits shall be as established in section 521. Deposits accepted pursuant to this section and negotiable or transferable instruments drawn on such deposits shall be subject to Title 11. A signed statement by the depositor stating that the depositor shall use a demand deposit accepted by the savings bank pursuant to this section for only nonbusiness purposes or that

the deposit was made by a nonprofit organization operated primarily for religious, philanthropical, charitable, fraternal or other similar purposes shall relieve the institution from liability for violation of this section provided that if the savings bank acquires knowledge in the ordinary course of its business that the depositor is using such deposit for business or commercial purposes, the institution shall promptly give notice thereof to the depositor. If the depositor fails to terminate such business use within 30 days of said notice, the institution shall promptly close out such deposit by returning to the depositor the balance of funds in the account less any service charge.

§ 521. Cash reserves

1. Established by superintendent. Every savings bank shall establish and maintain a minimum cash reserve in the amount established by the superintendent within the following levels:

- A. Between 1% and 4% of the bank's savings deposits;
- B. Between 2% and 5% of the bank's time deposits;
- C. Between 6% and 12% of the bank's demand deposits less treasury tax and loan account deposits; and
- D. Between 6% and 14% of the bank's now account deposits.

2. Composition of cash reserve. The cash reserve required in subsection 1 shall be comprised of the following items:

- A. Cash on hand;
- B. Deposits held in commercial banks, savings banks and savings and loan associations;
- C. Federal funds sold to banks pursuant to section 571;
- D. The book value of investments in obligations of the United States; provided that any such obligations shall mature in 5 years or less;
- E. The book value of investments in the obligations, notes and debentures issued by any agency or instrumentality of the United States; provided that any such obligations, notes or debentures shall mature in 5 years or less.

3. The required amount of cash reserve shall be computed each business week by averaging the daily totals of items set forth in subsection 2, paragraph B. The method of computation and the reserve computation period for determining compliance with this section shall be established by the superintendent. The superintendent may, if financial institution conditions warrant, lower the maximum maturity periods in subsection 2, paragraphs D and E for such reserve computation periods as he deems necessary.

4. Deficiencies in the cash reserves established pursuant to this section may be subject to an assessment for such period of time as the deficiency may exceed 2% of the required reserves. Any such penalty may be assessed at a rate not to exceed 10% per year.

5. If any savings bank fails to make up a reserve deficiency with a corresponding excess reserve in the reserve computation period immediately

following the period in which the deficiency occurred, the bank shall not make any investments authorized by this Title, except those authorized under sections 445, 622 and 624, without the prior written approval of the superintendent.

6. Any savings bank or savings and loan association during its membership in the Federal Home Loan Bank shall be subject to the "Federal Home Loan Bank Act," as amended, relative to bank reserves. Reserves required under said Act shall be substituted for the liquidity reserves required pursuant to this section; provided that if such bank or association is also a member of the Federal Reserve System, such liquidity reserves shall be maintained in such manner as shall comply with the requirements of both the Federal Reserve Bank and the Federal Home Loan Bank of which the savings bank or savings and loan association is a member.

Sec. 5. 9 MRSA § 561, sub-§ 1, ¶ B, first sentence, as enacted by PL 1969, c. 401, § 18, is amended to read:

In an amount not exceeding ~~80%~~ 95% of its appraisal of the market value, providing the note or other obligation evidencing the loan shall require monthly payment of the interest and principal thereon at a rate of amortization sufficient to repay the entire loan within a period not exceeding ~~30~~ 40 years, or shall require full payment of the loan within a period of 3 years.

Sec. 6. 9 MRSA § 573 is enacted to read:

#### § 573. Credit cards

A savings bank shall have the power to extend credit through the use of credit cards issued by said institutions, any subsidiary thereof, or issued by such as agent for another institution or subsidiary thereof subject to such regulations as may be promulgated by the superintendent, and credit extended through the use of credit cards by a savings bank shall be treated as a loan made pursuant to section 565.

Sec. 7. 9 MRSA § 1595, first sentence, as last amended by PL 1973, c. 585, § 11, is further amended to read:

No savings and loan association shall establish or operate a branch ~~or~~, agency or satellite facility until it shall have received a warrant to do so from the superintendent, who shall issue such warrant only when satisfied that public convenience and advantage will be promoted thereby.

Sec. 8. 9 MRSA § 1632, sub-§§ 18 and 19 are enacted to read:

18. Savings and loan association; power to extend credit. A savings and loan association shall have the power to extend credit through the use of credit cards issued by said institution, any subsidiary thereof, or issued by such as agent for another institution or subsidiary subject to such regulations as may be promulgated by the superintendent, and credit extended through the use of credit cards by a savings and loan association shall be treated as a loan made pursuant to section 1832, subsection 11.

19. Power to issue devices to permit members' participation in electronic funds transfer system. A savings and loan association shall have the power

to issue to its members cards or other devices permitting such members to gain access to or participate in an established electronic funds transfer system. The use of such cards or other devices pursuant to this section by members shall be subject to such regulations as may be promulgated by the superintendent.

Sec. 9. 9 MRSA § 1702-A is enacted to read:

§ 1702-A. Personal demand deposits

A savings and loan association may accept personal demand deposits only, as defined in section 222, subsection 12. The cash reserve requirements for personal demand deposits shall be those established pursuant to section 521. Deposits accepted pursuant to this section and negotiable or transferable instruments drawn on such deposits shall be subject to Title 11. A signed statement by the depositor stating that the depositor shall use a demand deposit accepted by the savings and loan association pursuant to this section for only nonbusiness purposes or that the deposit was made by a nonprofit organization operated primarily for religious, philanthropical, charitable, fraternal or other similar purposes shall relieve the institution from liability for violation of this section provided that if the savings and loan association acquires knowledge in the ordinary course of its business that the depositor is using such deposit for business or commercial purposes, the institution shall promptly give notice thereof to the depositor. If the depositor fails to terminate such business use within 30 days of said notice, the institution shall promptly close out such deposit by returning to the depositor the balance of funds in the account less any service charge.

Sec. 10. 9 MRSA § 1714, as enacted by PL 1967, c. 290, § 2, is repealed and the following enacted in place thereof:

§ 1714. Trustee, self-employment retirement plans

A savings and loan association shall have power to act as trustee under a retirement plan established pursuant to the Act of Congress entitled, "Self-employed Individuals Retirement Act of 1962," as amended, or an individual retirement account pursuant to the "Employee Retirement Income Security Act of 1974," as amended; provided that the provisions of such plans permit the funds of such trust or account to be invested in deposits in said institution.

In the event that any such retirement plan, which in the judgment of the institution constitutes a qualified plan under either said Self-employed Individual Retirement Act of 1962 or the Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder at the time the trust or account was established and accepted by the institution, is determined subsequently not to be such a qualified plan or ceases subsequently to be such a qualified plan in whole or in part, the institution may nevertheless continue to act as trustee or any deposit therefor made under such plan and to dispose of the same in accordance with the directions of the depositor and the beneficiaries thereof.

No savings and loan association with respect to the deposits made under this section, shall be required to segregate such deposits from its other de-

posits except as may be required under the federal law establishing such plans; provided that the institution shall keep appropriate records showing in prior detail all transactions engaged in under the authority of this section.

#### STATEMENT OF FACT

The purpose of this legislation is to authorize the savings banks and savings and loan associations to issue checking accounts for personal family non-business purposes, to issue credit cards and to participate in any electronic funds transfer system. It also establishes a liquidity reserve for savings banks and savings and loan associations and clarifies the present authorization to participate in Keogh plan and individual retirement accounts pursuant to the Employee Retirement Income Security Act of 1974. It also authorizes savings banks to make mortgage loans on 95% of the appraised value of the property and extends the period of time to repay the loan from 30 years to 40 years.