

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND TENTH LEGISLATURE
4

5 **Legislative Document**

No. 2003

6
7 S. P. 862 In Senate, February 18, 1982
Approved for introduction by the Legislative Council pursuant to
Joint Rule 26.
Referred to the Committee on State Government and ordered
8 printed. Sent down for concurrence. Ordered Sent Forthwith.
MAY M. ROSS, Secretary of the Senate
Presented by Senator Pierce of Kennebec.

9
10 **STATE OF MAINE**
11

12 IN THE YEAR OF OUR LORD
13 NINETEEN HUNDRED AND EIGHTY-TWO
14

15 **AN ACT to Provide for New Home Construction**
16 **and Development.**
17

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

19 **10 MRSA c. 953** is enacted to read:

20 CHAPTER 953

21 NEW HOME CONSTRUCTION AND DEVELOPMENT

22 §9081. Title

23 This chapter may be cited as the "New Home Construction
24 and Development Act."

25 §9082. Findings and declaration of purposes

1 The Legislature finds that the State has an overriding
2 need to assist the state housing industry until economic
3 conditions improve. These findings warrant the creation
4 and implementation of a one-time account for the construc-
5 tion, development and financing of new housing to assist
6 this vital industry and to aid first time buyers to realize
7 the dream of owning their own homes. The Legislature has
8 found this need can be met without subsidy or additional
9 employment in the public sector by attracting the investment
10 of funds in new home construction and development over the
11 competing investment alternatives by securing this invest-
12 ment with pool and special hazard insurance with funds
13 advanced by the State, which will enable local participating
14 banks to provide necessary financing at a lower rate of
15 interest for this purpose than currently available for con-
16 ventional mortgages.

17 §9083. New home construction and development account

18 The Governor or his designee may establish an account
19 to be known as the New Home Construction and Development Ac-
20 count. The account once created shall be limited in dura-
21 tion for the purpose of promoting new housing construction
22 and development in this State during the year 1982 and may
23 continue thereafter at the discretion of the Governor or his
24 designee until economic conditions improve. Except as
25 authorized under this section, administration of the account
26 shall be the function of a trustee as provided in section
27 9084.

28 §9084. Trustee of the account

29 There shall be a trustee for the account, who shall be
30 the sole administrator of all functions. The trustee shall
31 be a Maine bank. The trustee bank shall be selected
32 through open competitive bidding, and upon selection and
33 qualification, shall serve in that capacity until the pur-
34 poses of the account are carried out or a successor is se-
35 lected and qualified in the same manner as the original se-
36 lection. The trustee bank shall have the authority to estab-
37 lish a schedule of fees, services and underwriting proce-
38 dures to carry out the purpose of the account and monitor
39 all actions in connection therewith. The trustee bank shall
40 report to the Governor monthly on the status of the account.
41 Any change in the structure of the account or termination
42 shall be subject to the Governor's approval.

43 §9085. Funding the account

1 As administrator of the account, the trustee bank and
2 the Governor or his designee shall encourage investment of
3 funds from any source into the account to carry out the pur-
4 pose of the account.

5 §9086. Pool and special hazard insurance

6 The State shall purchase pool and special hazard insur-
7 ance to further secure the investors of the account. The
8 pool and special hazard coverage shall be in the amount of
9 10% of the total principal outstanding funds in the account
10 and the cost of pool and special hazard insurance shall be
11 approximately 1% of the total account. Annually, on the
12 anniversary of the premium year the trustee shall certify
13 the principal amount in the account and request the Governor
14 to appropriate a sum equal to 1% to renew the pool and spe-
15 cial hazard policy. The pool and special hazard policy
16 shall be renewed annually for a period of 10 years from the
17 original purchase of eligible mortgages as defined in the
18 origination agreement.

19 §9087. Account guidelines

20 All lending institutions participating in the account
21 shall comply with the requirements established by the
22 trustee bank and all participating and loan servicing agree-
23 ments shall be subject to the following guidelines:

24 1. New construction. New construction only;

25 2. First time buyers. First time buyers;

26 3. Income limitation. Income up to 200% of median
27 income or \$30,000;

28 4. Down payment. Five percent minimum down payment;

29 5. Limitation. Top 25% mortgage insurance;

30 6. Limit on monthly payment. Monthly payment not to
31 exceed 25% of income for principal and interest and not to
32 exceed 30% for principal, interest, insurance and taxes;

33 7. Pool and special hazard insurance repayment. If a
34 house is sold within 5 years, the cost of any pool and spe-
35 cial hazard insurance paid by the State shall be recaptured
36 and repaid to the State.

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STATEMENT OF FACT

2 The purpose of this bill is to promote new home con-
3 struction and development by creating an account into which
4 funds may be invested to increase available mortgage money
5 for Maine citizens. Invested funds in this account will be
6 used to construct new homes for first time homebuyers. The
7 State will purchase pool and special hazard insurance cover-
8 ing the account to decrease any risks to investors. A Maine
9 bank will be appointed trustee of the account and will
10 establish a schedule of fees, services and underwriting
11 procedures. If a house is sold within 5 years, the cost of
12 any pool and special hazard insurance paid by the State is
13 recaptured and repaid to the State.

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