

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 355

6
7 H.P. 296

House of Representatives, February 1, 1983

8 On Motion of Representative Brannigan of Portland referred to the
9 Committee on Business Legislation. Sent up for concurrence and ordered
printed.

10 EDWIN H. PERT, Clerk

Presented by Representative Pouliot of Lewiston.

Cosponsor: Representative Perkins of Brooksville.

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Amend the Banking Code
18 Regarding Loans to Directors of Financial
19 Institutions.
20

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

23 Sec. 1. 9-B MRSA §465, sub-§2, as amended by PL
24 1981, c. 501, §33, is further amended to read:

25 2. Thrift institutions and credit unions; per-
26 sonal loans.

27 A. Except for loans adequately secured by a
28 first mortgage on real estate, a savings deposit,
29 a certificate of deposit or a share account,
30 marketable securities or the cash surrender value
31 of a life insurance policy, or personal loans
32 having an aggregate value of \$10,000 or less, no
33 thrift institution or credit union subject to the

1 laws of this State shall make any loans to its
2 policy-making officers or directors. No thrift
3 institution shall make a loan to its corporators,
4 policy-making officers or directors and no credit
5 union shall make a loan to its officers or direc-
6 tors unless such loans are on the same terms as
7 are generally available to the public or its mem-
8 bers.

9 B. A loan granted to an officer or corporator
10 under paragraph A shall be approved or ratified
11 within 30 days of its making by the board of
12 directors. A loan granted a director under para-
13 graph A shall be approved by a majority of the
14 entire membership of the board. The director
15 whose loan is under consideration shall not be
16 regarded as voting in the affirmative on such
17 loan.

18 Sec. 2. 9-B MRSA §465, sub-§2-A is enacted to
19 read:

20 2-A. Thrift institutions; commercial loans.

21 A. Except for loans adequately secured by a
22 pledge of a savings deposit, a certificate of
23 deposit, marketable securities, or the cash sur-
24 render value of a life insurance policy, no
25 thrift institution may make any commercial loan
26 to any of its directors, to any firm or business
27 syndicate of which the director is a member or to
28 any person or on the endorsement or guaranty of
29 any person who is a partner of or member of a
30 business syndicate with the director or to any
31 corporation of which the director is a director,
32 officer, agent or employee until the proposition
33 to make the loan has submitted to the board of
34 directors or the executive committee, if any, of
35 the institution and accepted and approved by a
36 majority of the board or committee in the follow-
37 ing manner:

38 (1) No director who is interested in a loan
39 in any of the capacities mentioned in this
40 subsection or who is connected or associated
41 with the borrower in any of the ways men-
42 tioned in this subsection shall be regarded
43 as voting in the affirmative on the loan.

1 No thrift institution may make a loan to its direc-
2 tors unless the loan is on the same terms as are
3 generally available to the public.

4 STATEMENT OF FACT

5 The purpose of this bill is to authorize thrift
6 institutions to make commercial loans to their direc-
7 tors or to companies owned by them under similar
8 terms and conditions as trust companies and to expand
9 the types of personal loans that may be made. Under
10 existing law, thrift institutions may make loans to
11 policy-making officers or directors only if the loan
12 is secured by a first mortgage on real estate, a
13 savings deposit, a certificate of deposit or a share
14 account or personal loans of less than \$10,000. This
15 bill gives thrift institutions added flexibility in
16 making different types of loans to directors while
17 still providing protection through the requirement of
18 board approval.

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