

MAINE STATE LEGISLATURE

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(New Draft of H.P. 296, L.D. 355)

FIRST REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document No. 839

H.P. 683 House of Representatives, February 24, 1983

Reported by Representative Conary from the Committee on Business Legislation and printed under Joint Rule 2.

EDWIN H. PERT, Clerk

STATE OF MAINE

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

AN ACT to Amend the Banking Code
Regarding Loans to Directors of Financial
Institutions.

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

Sec. 1. 9-B MRSA §465, sub-§1, ¶A, as enacted by PL 1975, c. 500, §1, is amended to read:

A. Except for loans adequately secured by a pledge of a savings deposit, certificate of deposit, marketable securities or the cash surrender value of a life insurance policy, or as provided in paragraph B, no trust company ~~shall~~ may make any loan to any of its directors, corporators, officers, agents or to any other person in the company's employ, or on which any such director, corporator, officer, agent or employee

1 is an endorser, guarantor or surety, or to any
2 firm or business syndicate of which such the
3 director, corporator, officer, agent or employee
4 is a member, or to any person or on the endorse-
5 ment or guaranty of any person, who is a partner
6 of or member of a business syndicate with such
7 the director, corporator, officer, agent or
8 employee, or to any corporation of which any such
9 director, corporator, officer, agent or employee
10 is a director, officer, agent or employee, until
11 the proposition to make such the loan shall have
12 been submitted to the board of directors, or the
13 executive committee, if any, of such that company
14 and accepted and approved by a majority of the
15 entire membership of such the board or committee
16 in the following manner:

17 (1) No director of such that trust company
18 who is interested in ~~said~~ a loan in any of
19 the above capacities set out in this para-
20 graph or who is connected or associated with
21 the borrower in any of the above ways ~~shall~~
22 set out in this paragraph may be regarded as
23 voting in the affirmative on such that loan.

24 (2) The term "agent" as used in this
25 section shall not be construed to include
26 any person other than a person elected or
27 appointed by the stockholders.

28 Sec. 2. 9-B M RSA §465, sub-§2, as amended by PL
29 1981, c. 501, §33, is further amended to read:

30 2. Thrift institutions and credit unions; per-
31 sonal loans.

32 A. Except for loans adequately secured by a
33 first mortgage on real estate, a savings deposit,
34 a certificate of deposit or a share account,
35 marketable securities or the cash surrender value
36 of a life insurance policy, or personal loans
37 having an aggregate value of \$10,000 or less, no
38 thrift institution or credit union subject to the
39 laws of this State shall make any loans to its
40 policy-making officers or directors. No thrift
41 institution ~~shall~~ may make a loan to its corpora-
42 tors, policy-making officers or directors and no

1 credit union ~~shall~~ may make a loan to its offi-
2 cers or directors unless such loans are on the
3 same terms as are generally available to the
4 public or its members.

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

14 Sec. 3. 9-B MRSA §465, sub-§2-A is enacted to
15 read:

16 2-A. Thrift institutions; commercial loans.

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

34 (1) No director who is interested in a loan
35 in any of the capacities mentioned in this
36 subsection or who is connected or associated
37 with the borrower in any of the ways men-
38 tioned in this subsection may be regarded as
39 voting in the affirmative on the loan.

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

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STATEMENT OF FACT

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This new draft extends to commercial banks the ability provided in the bill to thrift institutions to accept as collateral "marketable securities" in loan transactions with directors and officers.

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