

# MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION  
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE  
4

5 Legislative Document

No. 416

6  
7 S.P. 149

In Senate, February 5, 1985

8 Reference to the Committee on Business and Commerce suggested and  
9 ordered printed.

10 JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Najarian of Cumberland.

Cosponsored by Representative Hogle of Portland.

11  
12 STATE OF MAINE  
13

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

17 AN ACT to Provide Credit Unions with the Same  
18 Right to make 2nd Mortgage Loans as  
19 Exist for Financial Institutions.  
20

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

23 9-B MRSA §855, as enacted by PL 1975, c. 500, §1,  
24 is amended to read:

25 §855. Real estate mortgage loans

26 A credit union may make loans to its members se-  
27 cured by a ~~first~~ mortgage on real estate located  
28 within this State, subject to the following condi-  
29 tions and limitations:

30 1. Limitation.

31 A. The total liability of any member upon loans  
32 within this section shall be as established in  
33 section 854, subsection 1.

1           B. No first mortgage loan for the acquisition of  
2 real estate made pursuant to this section shall  
3 exceed 80% of the appraised value of the property  
4 mortgaged, as determined by the credit committee.  
5           The note or other obligation evidencing the loan  
6 shall require monthly payment of the interest and  
7 principal thereon sufficient to repay the entire  
8 loan within a period not exceeding 30 years, ex-  
9 cept that this provision shall not apply to real  
10 estate loans insured by the Federal Housing Ad-  
11 ministration.

12           2. Loans to secure future advances. Any interest  
13 in real estate which may now be mortgaged to a credit  
14 union pursuant to this section may be mortgaged in  
15 the manner set forth in section 436, subject to the  
16 terms and conditions set forth therein. The maximum  
17 30-year repayment period established in subsection 1,  
18 paragraph B, shall apply to each loan or advance se-  
19 secured by a mortgage under section 436. This subsec-  
20 tion shall apply to all credit unions authorized to  
21 do business in this State, whether organized under  
22 the laws of this State, including special or private  
23 laws, or organized under the laws of the United  
24 States.

25           3. Aggregate mortgage loan limitation. The total  
26 amount which a credit union may invest in loans se-  
27 cured by first mortgages on real estate shall not ex-  
28 ceed 35% of its share capital and surplus.

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STATEMENT OF FACT

2           This bill gives credit unions the same right to  
3 make 2nd mortgage loans pursuant to the Revised Stat-  
4 utes, Title 9-B, section 436, as exist for other fi-  
5 nancial institutions. The bill also clarifies that  
6 the maximum 30-year loan term applies to each indi-  
7 vidual advance secured by a mortgage under section  
8 436. The bill prevents an interpretation that a fu-  
9 ture advance made close to the expiration of 30 years  
10 from the initial execution of mortgage must be repaid  
11 before expiration of that 30-year period. The bill  
12 limits the application of the loan-to-value require-  
13 ment to first mortgage loans made for the acquisition  
14 of real estate, thereby allowing credit unions to  
15 make a future advance on an open-end mortgage even  
16 though the amount of the advance exceeds 80% of the  
17 equity value of the mortgage property.

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