

MAINE STATE LEGISLATURE

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1 (New Draft of H.P. 256, L.D. 310)
2 FIRST REGULAR SESSION
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE
5

6 Legislative Document

No. 1102

7
8 H.P. 787

House of Representatives, March 26, 1985

9 Reported by Representative Rydell from the Committee on Business and
10 Commerce and printed under Joint Rule 2. Original bill sponsored by
11 Representative Murray of Bangor. Cosponsored by Representative Stevens of
Bangor.

EDWIN H. PERT, Clerk

12
13 STATE OF MAINE
14

15 IN THE YEAR OF OUR LORD
16 NINETEEN HUNDRED AND EIGHTY-FIVE
17

18 AN ACT Relating to Loans and Investments by
19 Financial Institutions.
20

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

23 Sec. 1. 9-B MRSA §224, sub-§2, as enacted by PL
24 1975, c. 500, §1, is repealed and the following en-
25 acted in its place:

26 2. Loans and investments. The board of each
27 financial institution shall establish written poli-
28 cies for approval of loans and investments. In the
29 policies, the board may delegate to officers, employ-
30 ees or committees comprised of officers, employees,
31 or board members, the authority to approve loans and
32 investments. The board may retain authority to ap-
33 prove or ratify types or classes of loans or invest-
34 ments as it considers reasonable. The board shall
35 retain authority to approve or ratify types or
36 classes of loans or investments where the approval is

1 otherwise specifically required by this Title. The
2 superintendent has authority to review loan and in-
3 vestment policies to assure that they contribute to
4 the safety and soundness of the institution. A
5 record of all loans and investments of every descrip-
6 tion made by a financial institution shall be kept in
7 a book or books appropriate, substantially in the or-
8 der of the time when the loans or investments are
9 made. The record shall be made available to the su-
10 perintendent and, if requested for the purpose of re-
11 viewing the financial responsibility of management by
12 a vote of the directors, corporators, members of
13 stockholders, the record shall be submitted to those
14 persons. Records of loan and investment approvals
15 shall be maintained and shall be available for the
16 review of directors and of the superintendent.

17 Sec. 2. 9-B MRSA §465, §1, as amended by PL
18 1983, c. 56, §1, is repealed and the following en-
19 acted in its place:

20 1. Authorization. A financial institution au-
21 thorized to do business in this State may make loans
22 to its corporators, policy-making officers or direc-
23 tors, or loans on which those persons act as endors-
24 er, guarantor or surety or loans to any firm or part-
25 nership of which those persons are members.

26 Sec. 3. 9-B MRSA §465, sub-§2, as amended by PL
27 1983, c. 56, §2, is repealed and the following en-
28 acted in its place:

29 2. Limitations. Any loan made under subsection
30 1, shall be made on the same terms as are generally
31 available to the public and the board of directors
32 shall approve or ratify the loan within 30 days. A
33 loan made to a director under subsection 1, shall be
34 approved by a majority of the entire membership of
35 the board. The director whose loan is under consid-
36 eration shall not be regarded as voting in the affir-
37 mative on that loan.

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STATEMENT OF FACT

2 Section 1 allows the board of directors of a fi-
3 nancial institution to delegate authority to officers
4 or to committees of the board to approve loans and
5 investments. Under existing law all loans and invest-
6 ments must be approved by the board of directors.
7 The board would still be required to approve loans or
8 investments as the Maine Revised Statutes, Title 9-B,
9 otherwise specifically requires, for example, loans
10 to directors and prudent investments. The board and
11 the Superintendent of Banking would still have au-
12 thority to review management decisions for safety and
13 soundness. Records of all loans and investments must
14 still be kept as required by present law.

15 Sections 2 and 3 of the bill allow trust compa-
16 nies, savings banks, savings and loan associations
17 and credit unions to make loans to officers and di-
18 rectors provided that the loans are on the same terms
19 as are generally available to the public and provided
20 that a majority of the board approves the loan.

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