

MAINE STATE LEGISLATURE

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1 (New Draft of S.P. 149, L.D. 416)
2 FIRST REGULAR SESSION
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE
5

6 Legislative Document

No. 1138

8 S.P. 411

In Senate, March 27, 1985

9 Reported by Senator Bustin of Kennebec from the Committee on
10 Business and Commerce and printed under Joint Rule 2. Original bill
11 sponsored by Senator Najarian of Cumberland. Cosponsored by
Representative Hogle of Portland.

JOY J. O'BRIEN, Secretary of the Senate

12
13 STATE OF MAINE
14

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

18 AN ACT to Provide Credit Unions with the
19 Same Right to make 2nd Mortgage Loans
20 as Exist for Financial Institutions.
21

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

24 9-B MRSA §855, as enacted by PL 1975, c. 500, §1,
25 is repealed and the following enacted in its place:

26 §855. Real estate mortgage loans

27 1. Limitations. A credit union may make loans
28 to its members secured by a mortgage on real estate
29 located within this State, subject to the following
30 conditions and limitations.

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 loan made pursuant to this section may ex-
2 ceed 90% of the appraised value of the property
3 mortgage, as determined by the credit committee.
4 Loans pursuant to this section may be made in an
5 amount not exceeding 100% of the appraised value
6 of the mortgage property if at least the top 20%
7 of the loan is insured by a mortgage guarantee
8 insurer licensed to do business in this State or
9 if the loan is insured or guaranteed by the Fed-
10 eral Housing Administration or any other state or
11 federal agency.

12 C. The note or other obligation evidencing a
13 first mortgage loan shall require monthly payment
14 of the interest and principal thereon sufficient
15 to repay the entire loan within a period not ex-
16 ceeding 30 years, except that this provision does
17 not apply to real estate loans insured by the
18 Federal Housing Administration.

19 D. The note or other obligation evidencing a
20 loan other than a first mortgage loan shall re-
21 quire monthly payment of the interest and princi-
22 pal thereon sufficient to repay the entire loan
23 within a period not exceeding 15 years.

24 2. Loans to secure future advances. Any inter-
25 est in real estate which may be mortgaged to a credit
26 union pursuant to this section may be mortgaged in
27 the manner set forth in section 436, subject to the
28 terms and conditions set forth therein. Any interest
29 in real estate which may be mortgaged to a credit
30 union organized under the laws of the United States may
31 be mortgaged in the manner set forth in section 436,
32 subject to the terms and conditions set forth there-
33 in. The maximum loan terms established in subsection
34 1, paragraphs C and D, shall apply to each loan or
35 advance secured by a mortgage under section 436.

36 3. Aggregate mortgage loan limitation. The to-
37 tal amount which a credit union may invest in loans
38 secured by first mortgages on real estate shall not
39 exceed 35% of its share capital and surplus.

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STATEMENT OF FACT

2 This new draft retains the basic framework of
3 previous Maine Revised Statutes, Title 9-B, section
4 855, with significant changes and additions for the
5 purpose of giving credit unions the same right to
6 make 2nd mortgage loans pursuant to the Maine Revised
7 Statutes, Title 9-B, section 436 as exists for other
8 financial institutions. The loan to value ratio is
9 changed from 80% to 90%, which is the percentage ap-
10 plicable to most other state financial institutions.
11 The new draft also expressly establishes the right of
12 state credit unions to make real estate loans secured
13 by other than a first mortgage on the property.
14 These junior mortgages have a maximum term of 15
15 years. The Maine Revised Statutes, Title 9-B, sec-
16 tion 855, subsection 2 clarifies that the maximum
17 loan terms apply to each loan or advance secured by a
18 mortgage under the Maine Revised Statutes Title 9-B,
19 section 436. This language is necessary to prevent
20 an interpretation that a future advance made close to
21 the expiration of 30 years from the initial execution
22 of the first mortgage, or 15 years from the initial
23 execution of the 2nd mortgage, must be repaid before
24 expiration of that initial loan term.

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