

MAINE STATE LEGISLATURE

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STATE OF MAINE
SENATE
115TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " A" to S.P. 608, L.D. 1612, Bill, "An Act to Revise the Laws Governing Banking Institutions"

Amend the bill by inserting after section 4 the following:

Sec. 5. 9-B MRSA §342, sub-§1, ¶A, as amended by PL 1991, c. 34, §2, is further amended to read:

A. At an annual meeting or a special meeting called for that purpose, 51% or more of the members or shareholders ~~present-and-voting~~ casting votes in person or by proxy must approve of the conversion. Notice of the meeting must be mailed to each member or shareholder ~~not-less-than-20-nor-at~~ least 30 and not more than 30 60 days prior to the date of the meeting at the member's or shareholder's last known address as shown on the books of the institution.

Sec. 6. 9-B MRSA §342, sub-§1, ¶B, as enacted by PL 1975, c. 500, §1, is amended to read:

B. At the meeting required in paragraph A, the members or shareholders shall vote upon directors who shall be the directors of the state-chartered institution after conversion becomes effective, and also vote upon corporators if a board of corporators is to be established for the resulting state-chartered institution ~~is--to--be--a--mutual savings-bank.'~~

Further amend the bill by inserting after section 7 the following:

Sec. 8. 9-B MRSA §355, sub-§8 is enacted to read:

8. Applicability. This section does not apply to a transfer of assets of a financial institution in the ordinary course of business that does not include any assumption of deposit liabilities.

2 **Sec. 9. 9-B MRSA §365, sub-§10**, as enacted by PL 1991, c. 34,
§5, is amended to read:

4 **10. Procedures in liquidation.** When the superintendent
6 appoints the Federal Deposit Insurance Corporation as receiver,
federal law prescribes the procedures that the Federal Deposit
8 Insurance Corporation follows in liquidation of the insolvent
bank. When an insolvent stock institution or an insolvent mutual
10 institution is liquidated, assets must be distributed in the
following priority:

12 A. First, the payment of the costs and expenses of the
14 liquidation;

16 B. Second, the payment of claims for deposits, including,
18 but not limited to, the claims of depositors in a mutual
institution for the return of their deposits;

20 C. Third, the payment of all debts, claims and obligations
22 owed by the institution and not accorded priority pursuant
to paragraphs A and B;

24 D. Fourth, the payment of claims otherwise proper that were
not filed within the prescribed time; and

26 E. Fifth, the payment of any obligation expressly
28 subordinated to deposits and to claims entitled to the
priority established by paragraphs A and B.

30 Any funds remaining must be divided among the stockholders in a
32 stock institution according to their respective interests or, in
the case of a mutual institution, pro rata among the depositors
in proportion to the respective amount of their deposits.

34 Interest must be given the same priority as the claim on which it
36 is based, but interest may not be paid on any claim until the
38 principal of all claims within the same class and all
higher-priority classes has been paid or adequately provided for
in full.'

40 Further amend the bill by striking out all of section 8 and
42 inserting in its place the following:

44 **'Sec. 8. 9-B MRSA §445, sub-§1**, as amended by PL 1983, c. 63,
46 §3, is further amended to read:

48 **1. Authorization.** A financial institution may ~~ferm~~
establish, acquire or invest in the capital stock, obligations or
50 other securities of a service corporation, as defined in section
131, or otherwise participate in or utilize the service of such a
52 corporation. Except as provided in subsection 5, a financial
institution may not establish or acquire a service corporation

2 without prior approval of the superintendent pursuant to section
3 252.'

4 Further amend the bill by inserting after section 10 the
5 following:

6 **'Sec. 11. 9-B MRSA §445, sub-§5 is enacted to read:**

7 **5. Exception for debt-acquired real property.**
8 **Notwithstanding subsection 1, a financial institution may**
9 **establish, acquire or invest in one or more service corporations**
10 **whose sole purpose is to hold interest in real property acquired**
11 **in satisfaction of a debt provided that:**

12 **A. At least 30 days prior to the establishment or**
13 **acquisition of any such service corporation, notice must be**
14 **provided to the superintendent in a manner and containing**
15 **such information as required; and**

16 **B. The service corporation holds property not intended for**
17 **real estate investment purposes and it is expected that the**
18 **property will be disposed of in a timely fashion.**

19 **A financial institution that has submitted notice pursuant to**
20 **this subsection may thereafter establish, acquire or invest in**
21 **additional service corporations operated for similar purposes**
22 **provided that the financial institution notifies the**
23 **superintendent in writing within 14 days after doing so. The**
24 **notice must be in the manner and containing such information as**
25 **required by the superintendent. Any filing made pursuant to this**
26 **subsection must be accompanied by a fee as prescribed by the**
27 **superintendent.**

28 **Sec. 12. 9-B MRSA §467, sub-§2, as enacted by PL 1975, c. 500,**
29 **§1, is amended to read:**

30 **2. Other outside business interests. ~~Ne--treasurer--or~~**
31 **~~assistant--treasurer~~ A policy-making officer of a financial**
32 **institution shall may not engage in, directly or indirectly, any**
33 **other business or occupation without the consent of a majority of**
34 **the directors, evidenced by a duly recorded resolution.**

35 **Sec. 13. 9-B MRSA §526 is enacted to read:**

36 **§526. Pledge of assets for deposits**

37 **A savings bank does not have the powers to pledge or**
38 **hypothecate any of its assets as security for deposits made with**
39 **it, except for the following deposits:**

1 1. Public funds. Federal, state, county or municipal
2 funds, United States postmaster funds, postal funds or other
3 public funds;

4
5 2. Receivership funds. Funds deposited by the
6 superintendent as receiver of an institution of which the
7 superintendent has, pursuant to law, taken possession; and

8
9 3. Fiduciary funds. Funds deposited by a savings bank in
10 its own bank that are being held by the savings bank in a
11 fiduciary capacity.

12
13 **Sec. 14. 9-B MRSA §534, sub-§2,** as repealed and replaced by PL
14 1987, c. 405, §7, is amended to read:

15
16 **2. Limitations.** Loans made pursuant to this section shall
17 be are subject to individual borrower loan limitations set forth
18 in section 534-B. The aggregate amount of loans made pursuant to
19 this section ~~and-section-535-shall~~ may not exceed 40% of deposits
20 assets.'

21
22 Further amend the bill by inserting after section 11 the
23 following:

24
25 **'Sec. 12. 9-B MRSA §539, sub-§1,** as enacted by PL 1975, c.
26 500, §1, is amended to read:

27
28 **1. Limitation.** After ~~the-effective-date-of-this-chapter~~
29 October 1, 1975, the aggregate total of all loans made by a
30 savings bank under this Title shall may not exceed 100% of the
31 its total of--its--deposits--and--undivided--profits assets, as
32 determined by the superintendent. In determining the aggregate of
33 loans hereunder, there shall must be excluded mortgage loans
34 backing any security in the issuance of which the association
35 participates pursuant to section 413.'

36
37 Further amend the bill by inserting after section 14 the
38 following:

39
40 **'Sec. 15. 9-B MRSA §862, sub-§5** is enacted to read:

41
42 **5. Federal Home Loan Bank membership.** A credit union may
43 become a member and stockholder in a Federal Home Loan Bank
44 within the Federal Home Loan Bank district where that credit
45 union is situated.

46
47 **Sec. 16. 9-B MRSA §862, last ¶,** as enacted by PL 1975, c. 500,
48 §1, is amended to read:

49
50 Nothing contained in this section shall may be construed as
51 authorizing a credit union to purchase or invest in the stock of
52 any corporation, except for the purchase of stock in the Federal

2 Home Loan Bank for purposes of establishing membership in that
3 system.'

4 Further amend the bill by inserting after section 15 the
5 following:

6 'Sec. 16. 9-B MRSA §1019-A, as enacted by PL 1987, c. 90, §4,
7 is amended to read:

10 **§1019-A. Notification of superintendent; purchase of own shares**

12 A Maine financial institution holding company shall ~~notify~~
13 ~~the superintendent at least 10 business days before issuing~~
14 ~~preferred stock or capital notes or debentures with an original~~
15 ~~maturity of 3 years or greater. A copy of any United States~~
16 ~~Securities and Exchange Commission filings, private placement~~
17 ~~memoranda or other documents describing the proposed issue to~~
18 ~~potential investors shall be provided with that notification.~~
19 provide the superintendent with prior notification regarding the
20 following transactions:

22 1. Issuance of stock, capital notes or debentures. The
23 issuance of preferred stock, capital notes or debentures with an
24 original maturity of 3 years or greater. Notice must be provided
25 at least 10 days prior to issuance and must contain a copy of any
26 United States Securities and Exchange Commission filings, private
27 placement memoranda or other documents describing the proposed
28 issue to potential investors; and

30 2. Purchase of own capital stock. The purchase of shares
31 of any type of its own capital stock. Notice must contain such
32 information as required by the superintendent.

34 **Sec. 17. 14 MRSA §2602, sub-§9** is amended to read:

36 **9. Safe deposit box.** By reason of the renting as a national
37 bank, trust company, savings bank, savings and loan association,
38 credit union or safe deposit company of any safe deposit box or
39 on account of the contents thereof; and'

40 Further amend the bill by renumbering the sections to read
41 consecutively.

42 Further amend the bill by inserting at the end before the
43 statement of fact the following:

46 **FISCAL NOTE**

48 This bill makes technical changes to the laws governing
49 banking institutions, including allowing the Bureau of Banking to
50 increase the application fee to charter a new credit union, which
51 could generate additional dedicated revenue to the bureau. The
52

costs associated with establishing this fee will be absorbed
utilizing existing resources of the Bureau of Banking.'

STATEMENT OF FACT

This amendment changes the laws governing conversion of a financial institution from federal to state charter to incorporate changes in voting requirements established under federal law for the transaction. It also clarifies that any federal savings bank or federal savings and loan association wishing to convert to state charter may do so with its present form of corporate governance structure.

This amendment clarifies that the expanded authority of the Superintendent of Banking to approve transfers of assets does not apply to transfers in the ordinary course of business, but does apply to branch sales or extraordinary asset sales.

It adopts into law model language developed by the Federal Deposit Insurance Corporation that establishes the priority for payment of claims in the liquidation of an insolvent institution.

It authorizes the establishment of additional service corporations to be used to dispose of foreclosed property pursuant to the Maine Revised Statutes, Title 9-B, section 445, subsection 5.

This amendment also expands the provision of law that requires disclosure of outside business interests to the board of directors of a financial institution to include all policy-making officers.

This amendment also makes a number of modest changes to the lending and deposit authority of savings banks. The amendment adds a provision to the law that allows savings banks to accept deposits from government entities and pledge their assets as security for those deposits. The purpose of this change is to authorize savings banks to accept and protect deposits of government entities in excess of Federal Deposit Insurance Corporation limits. The amendment also provides that the base for determining loan limitations is changed from deposits to assets, giving a broader base.

Necessary changes to credit union laws are made to enable state-chartered credit unions to belong to the Federal Home Loan Bank System. This parallels a recent change to federal law.

Statutory language is amended to require a financial institution holding company to provide notice to the Bureau of Banking when it wishes to purchase shares of its own capital stock. This is a similar provision to that required in federal law.

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2 Finally, a change is made to the provision of the law
4 governing trustee process as it relates to safety deposit boxes
6 to exempt savings and loan associations and credit unions from
the definition of "trustee," consistent with the exemptions
provided for trust companies and savings banks.

8

Reported by Senator Kany for the Committee on Banking and
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