

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1674

H.P. 1149

House of Representatives, April 24, 1991

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 27. Reference to the Committee on Housing and Economic Development suggested and ordered printed.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative GWADOSKY of Fairfield.

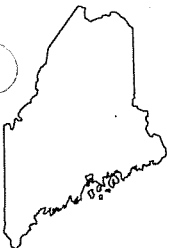
Cosponsored by Representative KILKELLY of Wiscasset, Representative LEBOWITZ of Bangor and Representative BAILEY of Farmington.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act Concerning Amendments to the Laws Affecting the Finance
Authority of Maine.

(AFTER DEADLINE)



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

2
3 **Sec. 1. 10 MRSA §965, sub-§1**, as amended by PL 1989, c. 698,
4 §5, is further amended to read:

6 **1. Selected board members.** Six members of the authority
7 shall to consist of:

8 A. Two veterans ~~who shall be~~ selected by the Governor from
9 the ~~at-large~~ members of the Maine Veterans' Small Business
10 Loan Board;

12 B. Two members ~~who shall be~~ selected by the Governor from
13 the public members of the Natural Resource Financing and
14 Marketing Board; and

16 C. Two members ~~who shall be~~ selected by the Governor from
17 the appointed members of the Maine Education Assistance
18 Board.

20 **Sec. 2. 10 MRSA §969-A, sub-§2-A**, as enacted by PL 1985, c.
21 818, §1, is amended to read:

24 **2-A. Interest rate assistance; grants.** Provide grants or
25 interest rate subsidies on commercial loans ~~or grants~~ to
26 businesses, farms and nonprofit organizations and provide or
27 participate in interest rate cap agreements and other agreements
28 providing businesses with protection against interest rate
29 fluctuations;

30 **Sec. 3. 10 MRSA §969-A, sub-§5**, as amended by PL 1985, c. 714,
31 §7, is further amended to read:

34 **5. Mortgage transactions.** Purchase, sell, service, pledge,
35 invest in, hold, trade, accept as collateral or otherwise deal
36 in, acquire or transfer, on such terms and conditions as the
37 authority may specify, any mortgage loan, mortgage pass-through
38 certificate, pledge including any pledge of mortgage revenue,
39 mortgage participation certificate, revenue obligation security
40 or other mortgage-backed or mortgage-related security. Any such
41 transaction may be conducted by public or private offering, with
42 or without public bidding. In connection with the purchase or
43 sale of a mortgage loan or of a beneficial interest or
44 participation in a mortgage loan, the authority may enter into
45 one or more agreements providing for the custody, control and
46 administration of the mortgage loan. Any such agreement may
47 provide that the authority, a financial institution or other
48 person shall act as trustor, trustee or custodian under the
49 agreement. Any such agreement may provide that, with respect to
50 mortgage loans governed by the agreement, title to a mortgage
 loan, or to a beneficial interest or participation in a mortgage

2 loan, shall-be is deemed to have been transferred on terms and to
the extent specified in that agreement and that the effect of a
4 sale of a beneficial interest or participation in a mortgage loan
is the same as a sale of a mortgage loan.

6 The authority may issue or cause to be issued certificates or
8 other instruments evidencing the holder's fractional interest in
a pool of mortgage loans, which interest may be undivided or
10 limited to one or more specific loans. Whether or not the
certificates or instruments are of such form or character as to
12 be negotiable instruments under Title 11, article 8, the
certificates or instruments shall must be and-are-made negotiable
14 instruments within the meaning of and for all the purposes of
Title 11, article 8, subject only to such registration
requirements as the authority may establish.

16 In connection with the exercise of the previous powers and those
18 powers otherwise granted to the authority, the authority may
20 create and operate a secondary market and warehousing facility or
22 facilities for mortgage loans or the insured portion of mortgage
loans that provide liquidity to lenders making mortgage loans;

24 **Sec. 4. 10 MRSA §980-B, sub-§1, as repealed and replaced by PL**
1989, c. 857, §46, is amended to read:

26 1. **General.** The Maine Veterans' Small Business Loan Board,
as established by Title 5, section 12004-I, subsection 27, and in
28 this section referred to as the "board," consists of 7 9 members
including the Director of Veterans' Services, and 6 members
30 appointed by the Governor from nominations submitted by the Maine
Veterans' Coordinating Committee and 2 members, who must be
32 veterans, appointed by the Governor from at large. The
coordinating committee shall provide at least 2 nominations for
34 each seat being filled. Terms are for 4 years, except that, of
the members first appointed, one is appointed for a term of 2
36 years, and one for a term of 3 years and-2-for-terms-of-4-years.
In making its appointments, the coordinating committee shall
38 consider the need for the board to possess expertise in banking,
business-related technical assistance and counseling. Each
40 member-organization-represented-by-the-coordinating-committee
must-be-represented-on-the-board. Two members of the board must
42 be appointed by the Governor to serve as members of the
authority. A vacancy in the office of an appointed member, other
44 than by expiration, must be filled by the same process as the
original appointment, but only for the remainder of the term of
46 the retiring member. The coordinating committee may recommend to
the Governor the removal of any appointed member for cause. The
48 board shall elect one of its members as chair, and may elect
other officers as necessary. Three Five members of the board
50 constitute a quorum. The affirmative vote of a majority of
members present and voting, but not less than 3, is necessary for

any action taken by the board. A vacancy in the membership of the board may not impair the right of the quorum to exercise all rights and perform all the duties of the board.

Sec. 5. 10 MRSA §1026-B, as amended by PL 1987, c. 581, §§1 and 2, is further amended to read:

§1026-B. Mortgage insurance of \$500,000 or less

1. **Scope of section.** This section applies, in addition to other applicable provisions of this subchapter, when the original principal amount of the mortgage insurance is \$500,000 or less, but not when mortgage insurance is provided pursuant to section 1026-D.

2. **Insurance.** Any mortgage insurance provided pursuant to this section shall be is subject to the following:

A. The original principal amount of mortgage insurance shall must not exceed \$500,000; and

B. The authority may insure no more than 85% of the mortgage payments.

C.

3. **Mortgage eligibility.** The authority may insure mortgage payments under this section provided that:

A. Repayment of the loan may be secured by less than full collateral if the borrower or the principals of the borrower are of good character and have good credit records;

B. The mortgage loan has a maturity satisfactory to the authority; and

C. The borrower:

(1) In the case of an existing business, at the time application is made for financing assistance, employs 20 persons or less or has gross sales not exceeding \$2,500,000 per year; or

(2) In the case of a new business, at the time application is made for financing assistance, projects that, during the first 12 months of operation, it will employ 20 persons or less or will have gross sales not exceeding \$2,500,000.

4. **Retail store projects.** The authority may insure mortgage loans for a retail store project, provided that:

- 2 A. The principal amount of mortgage insurance for the
4 project does not exceed \$200,000;
- 6 B. The project includes only one retail store that is not
8 attached or does not adjoin another retail store which that
has received an insured mortgage loan under this chapter; and
- 10 C. The applicant has not received mortgage insurance under
this subsection for any other retail store.
- 12 5. **Professional office building projects.** The authority
14 may insure mortgage loans for a professional office building
project, provided that:
- 16 A. The principal amount of mortgage insurance for the
18 project does not exceed \$200,000;
- 20 B. Less than 35% of the project is intended or planned for
professional office space;
- 22 C. Notwithstanding paragraph B, in the event that the
24 project proposes that more than 35% of the project will be
professional office space, the project is not attached or
26 adjoined to any other professional office building, which
that has received an insured mortgage loan under this
chapter; and
- 28 D. The applicant has not received mortgage insurance under
30 this subsection for any other professional office building
project.

32

34 **STATEMENT OF FACT**

36 This bill amends portions of the current law regarding the
Finance Authority of Maine. This bill:

- 38
- 40 1. Clarifies that selection of members to serve on the
authority's board may be made from among all members of the Maine
Veterans' Small Business Loan Board;
- 42
- 44 2. Clarifies that the authority may purchase and resell
loans it insures by creating and operating a secondary market for
such loans;
- 46
- 48 3. Clarifies that the authority may enter into agreements
in which businesses involved in variable rate loans may obtain
protection from interest rate fluctuations;

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4. Increases the number of members to serve on the Maine Veterans' Small Business Loan Board to 9, 6 to be nominated by the Maine Veterans' Coordinating Committee and 2 to be appointed from at large;

5. Deletes the requirement that each member organization of the Maine Veterans' Coordinating Committee must be represented on the Maine Veterans' Small Business Loan Board and increases the required quorum to 5; and

6. Corrects a headnote and makes technical corrections to the sections.