

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1830

H.P. 1261

House of Representatives, May 9, 1991

Reference to the Committee on Banking and Insurance suggested and ordered printed.

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

EDWIN H. PERT, Clerk

Presented by Representative MITCHELL of Vassalboro.

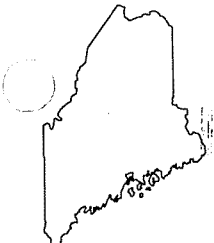
Cosponsored by Senator KANY of Kennebec, Representative JOSEPH of Waterville and Representative RAND of Portland.

STATE OF MAINE

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

An Act to Prohibit Certain Banking Practices.

(EMERGENCY)



2 **Emergency preamble.** Whereas, Acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

4
6 Whereas, there are changes in the economic climate in the
State, in the values of real estate and in the practices of
financial institutions that have financed real estate purchases,
8 which changes threaten to undermine the financial stability of
the State, and

10
12 Whereas, in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
14 necessary for the preservation of the public peace, health and
safety; now, therefore,

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

18 **9-B MRSA §437-A** is enacted to read:

20 **§437-A. Prohibition on declaring default**

22
24 No mortgagee may declare to be in default or otherwise call
due a note secured by a mortgage on real property because the
loan value exceeds the value of the collateral as a result of
26 changes in the real estate market if the mortgagor is current on
all loan payments under the note.

28
30 **Emergency clause.** In view of the emergency cited in the
preamble, this Act takes effect when approved.

32
34 **STATEMENT OF FACT**

36 This bill prevents holders of mortgage notes on real
property from calling due notes on which the mortgagor is current
on the loan payments because the value of the property has
38 decreased to less than the amount of the loan. This problem
presents itself today because of declining real estate values and
40 presents a potential for upsetting the business transactions of
homeowners, builders and owners of commercial real estate.