

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

EIGHTY-SECOND LEGISLATURE

S. P. No. 352

S. D. No. 133

In Senate, Feb. 27, 1925.

Referred to Committee on Banks and Banking and 500 copies ordered printed. Sent down for concurrence.

ROYDEN V. BROWN, Secretary.

Presented by Senator Foster of Kennebec.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE HUNDRED AND TWENTY-FIVE

AN ACT Imposing Certain Restrictions on Investments and Loans of Trust Companies.

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

Section 1. No trust company organized under the laws of this state shall hereafter acquire and hold, for the purpose of investment, except in its trust department:

(a) Shares of the capital stock of any corporation except (1) a reserve bank organized under the Federal Reserve Act; (2) corporations whose stocks are a legal investment for Maine savings banks, to the extent that such banks may lawfully hold the same.

(b) Any real estate outside the limits of the town or city within which its principal place of business is located, or within which it conducts a branch or agency.

Sect. 2. No such trust company shall hereafter make any
2 loans on the security of a mortgage on real estate located
3 without the State of Maine, unless such security shall be in
4 fact or in effect a first mortgage, or unless all prior mort-
5 gages and liens are owned by said trust company.

Sect. 3. Nothing contained in the foregoing sections shall
2 be held to prevent any trust company from acquiring and
3 holding securities or obligations not authorized by law, here-
4 after acquired in settlements and reorganizations and ac-
5 cepted to reduce or avoid loss on defaulted loans or invest-
6 ments held by said trust companies, nor from continuing
7 to hold such securities or obligations heretofore lawfully
8 acquired; nor from acquiring unauthorized securities or ob-
9 ligations through consolidation or merger with, or purchase
10 of the assets of, another banking institution, with the con-
11 sent of the bank commissioner.

Sect. 4. Section seventy-seven of chapter one hundred and
2 forty-four of the public laws of nineteen hundred and twen-
3 ty-three is hereby amended by striking out all of said sec-
4 tion and inserting in place thereof the following:

'Sect. 77. *Regulation of loans.* No trust company shall
2 loan to any person, firm, business syndicate, or corporation,
3 other than a municipality, an amount or amounts, at any
4 time outstanding in excess of fifteen per cent of its total
5 capital, unimpaired surplus and net undivided profits, un-
6 less secured by collateral which shall be of value equal to
7 the excess of said loans above said fifteen per cent, or by

8 a first mortgage of real estate, and the total amount of loans
9 to any person, firm, business syndicate or corporation, in-
10 cluding municipalities, shall at no time exceed twenty-five
11 per cent of said total capital, unimpaired surplus and net
12 undivided profits; provided, that in determining said amount
13 every person, firm, syndicate, or corporation appearing on
14 any loan as endorser, guarantor or surety, shall be regarded
15 as an original promissor. But the discount of bills of ex-
16 change drawn in good faith against actually existing values,
17 and the discount of commercial or business paper actually
18 owned by the person negotiating the same, shall not be con-
19 sidered as money borrowed.'

Sect. 5. Section seventy-eight of said chapter one hundred
2 and forty-four of the public laws of nineteen hundred and
3 twenty-three is hereby amended by striking out the words
4 "twenty-five" in the twenty-third line of said section and
5 inserting in place thereof the word 'fifteen' and by striking
6 out the words "said sections" in the twenty-sixth line there-
7 of and inserting in place thereof the words 'this section'
8 and by adding at the end of said section the following: 'The
9 records of the company required by this section shall con-
10 stitute prima facie evidence of the truth of all facts stated
11 therein in prosecutions and suits to enforce the several pro-
12 visions and penalties enumerated in section seventy-nine of
13 this chapter,' so that said section, as amended, shall read as
14 follows:

'Sect. 78. *Loans to officers; approval of loan shall be re-*
2 corded; records shall show vote of directors; credit expires
3 in six months. No trust company shall make any loan to its
4 directors, officers, agents or other persons in its employ, or
5 on which any such director, officer, agent or employee is
6 an endorser, guarantor, or surety, or to any firm or business
7 syndicate of which such director, officer, agent or employee
8 is a member, or to any person or on the endorsement or
9 guaranty of any person who is a partner of, or member of
10 a business syndicate with, such director, officer, agent or
11 employee, or to any corporation of which any such director,
12 officer, agent or employee is a director, officer, superin-
13 tendent or manager, until the proposition to make such loan
14 shall have been submitted by the person desiring the same
15 to the board of directors of such company, or to the execu-
16 tive committee thereof, if any, and accepted and approved
17 by a majority of the entire membership of such board or
18 committee; provided, however, that no director of such
19 company who is interested in said loan in any of the above
20 capacities, or who is connected or associated with the bor-
21 rower in any of the above ways, shall be regarded as voting
22 in the affirmative on such loan. For the purposes of this
23 section each renewal shall be considered as an original loan.
24 Such approval, if the loan is made, shall be spread upon the
25 records of the company; and this record shall, in every in-
26 stance, give the names of the directors authorizing the
27 loans. Nothing in this section or section seventy-seven

28 shall make it unlawful for a trust company to give any per-
29 son, firm, syndicate or corporation a line of credit to an
30 amount not exceeding fifteen per cent of its total capital,
31 unimpaired surplus and net undivided profits, subject to
32 the several restrictions as to percentage of entire board and
33 right of interested persons to vote on same contained in this
34 section. The records of the company shall show how every
35 director voted on the same, and when such line of credit is
36 given, the treasurer or other authorized officer may pay out
37 loans in accordance therewith without further approval. A
38 line of credit so given shall expire in six months unless re-
39 newed in the same manner in which it is originally given.
40 No loan shall hereafter be made to the treasurer, assistant
41 treasurer or any employee of the company upon the security
42 of corporation stocks as collateral; provided, however, that
43 this provision shall not apply to the renewal of existing loans.
44 The records of the company required by this section shall
45 constitute prima facie evidence of the truth of all facts stated
46 therein in prosecutions and suits to enforce the several pro-
47 visions and penalties enumerated in section seventy-nine of
48 this chapter.'