

MAINE STATE LEGISLATURE

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NEW DRAFT

EIGHTY - THIRD LEGISLATURE

House Document

No. 420

H. P. 1172

House of Representative, Mar. 17, 1927.

Reported by Mr. Decker from Committee on Banks and Banking, laid on the table for printing under joint rules.

CLYDE R. CHAPMAN, Clerk.

STATE OF MAINE

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

AN ACT Legalizing the Guaranteed Mortgage Bond as an
Investment for the Savings Banks of Maine.

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

Section twenty-seven of chapter one hundred and forty-
2 four of the public laws of nineteen hundred and twenty-
3 three is hereby amended by adding thereto the following
4 subdivision to be numbered XVII.

'XVII. GUARANTEED MORTGAGE BONDS.

'In bonds or notes which are the obligations of a mortgage
2 company having a capital and surplus of not less than
3 \$200,000 organized under the laws of any of the United
4 States and engaged in the real estate mortgage business

5 within the United States, subject to the following condi-
6 tions:

‘The total amount of such bonds or notes shall not exceed
2 fifteen times the combined capital and surplus of the mort-
3 gage company, and such bonds or notes shall mature within
4 ten years of the date of issue.

‘Such bonds or notes shall be guaranteed as to principal
2 and interest by endorsement on each bond or note by a
3 banking or surety company organized either under the bank-
4 ing or insurance laws of any of the United States (herein-
5 after called the guaranteeing company) authorized to do
6 business in this state and having a combined capital and
7 surplus of not less than ten million dollars and independent
8 of the mortgage company.

‘No bonds shall be qualified under this act which bear the
2 guarantee of any company which has outstanding bonds
3 guaranteed by it in excess of fifteen times its combined
4 capital and surplus.

‘Such bonds or notes shall be secured by a deposit with a
2 bank or trust company as trustee of either (a) a closed first
3 mortgage or closed first mortgages on improved real estate
4 capable of producing income owned in fee, or (b) cash,
5 obligations of the United States or other bonds legal for
6 savings banks in the New England States, New York or
7 New Jersey.

‘The aggregate of the mortgages at face value, the cash, and
2 securities at market value shall be not less than 100 per

3 cent of the principal amount of said bonds or notes out-
4 standing.

‘The mortgages deposited as security to secure said bonds
2 or notes shall mature before the maturity of the bonds or
3 notes which they secure and shall constitute a closed first
4 mortgage or closed first mortgages on improved real estate,
5 (improved real estate as herein defined shall consist of land
6 owned in fee and the buildings actually constructed thereon
7 and shall not include farm property, churches, factories,
8 clubs, business garages, hotels, theaters, or hospitals); the
9 face value of each mortgage deposited shall be in amount
10 not more than 60 per cent of the market value of the prop-
11 erty upon which it is secured, such value to be established
12 by independent appraisers approved by the guaranteeing
13 company, and no one mortgage shall exceed \$100,000.

‘The guaranteeing company shall inspect and approve each
2 mortgage before it is deposited as security for said bonds
3 or notes.

‘The trustee shall be a bank or trust company in the
2 United States having a combined capital and surplus of not
3 less than one million dollars, and be independent of the
4 mortgage or guaranteeing company.

‘The mortgage company shall have the right to make
2 changes or substitutions in the collateral deposited as secur-
3 ity to secure said bonds or notes, the guaranteeing company
4 and trustee first inspecting and approving the change or
5 substitution in the collateral.

'Policies of insurance adequately covering each mortgaged
2 building against damage by fire shall be deposited with the
3 trustee, and tornado and earthquake insurance policies shall
4 be deposited with the trustee on mortgages secured by prop-
5 erty in states where such insurance is customarily required.

'Titles to the mortgage properties shall be guaranteed by
2 a title insurance company approved by the bank commis-
3 sioner of Maine.

'Not more than ten per cent of the deposits of any one
2 bank shall be invested in the bonds or notes authorized by
3 this subdivision, and said bonds or notes legalized hereunder
4 are subject to the provisions relating to certificates of legal-
5 ity as set forth in subdivision sixteen of section twenty-seven
6 of chapter one hundred and forty-four of the public laws of
7 nineteen hundred and twenty-three.'