

# MAINE STATE LEGISLATURE

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DECEMBER SPECIAL SESSION

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E I G H T Y - S I X T H    L E G I S L A T U R E

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**Legislative Document**

**No. 56**

H. P. 44

House of Representatives, Dec. 5, 1933.

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

HARVEY R. PEASE, Clerk.

Presented by Mr. Breen of Lewiston.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND  
THIRTY-THREE

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**AN ACT Relating to the Regulation of Loans by Trust Companies.**

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

**Sec. 1. R. S., c. 57, § 77, repealed.** Section 77 of chapter 57 of the revised statutes is hereby repealed.

**Sec. 2. Regulation of loans by trust companies.** Chapter 57 of the revised statutes is hereby amended by adding thereto 4 new sections to be numbered 77-A, 77-B, 77-C, and 77-D, and to read as follows:

**'Sec. 77-A. Regulation of loans.** No trust company shall loan to, nor shall any person, firm, syndicate or corporation become obligated to, any trust company, an amount or amounts at any time outstanding in excess of 10% of its total capital, unimpaired surplus and net undivided profits, except on the approval of a majority of its entire board of directors, unless secured by collateral which shall be of a fair market value equal to 120% of the excess of said loans above said 10%, and the total amount of loans to any person, firm, syndicate or corporation shall at no time exceed 15% of said total capital, unimpaired surplus and net undivided profits; provided that in determining said amount the obligation of every person, firm, syndicate or corporation shall be construed to mean a direct liability of the maker or acceptor of paper discounted with or sold to

such trust company, and the liability of the endorser, drawer, or guarantor who obtains a loan from or discounts paper with, or sells paper under his guaranty to such trust company, and in the case of obligations of a co-partnership or association, shall include the obligations of the several members thereof, and shall include in the case of obligations of corporations all obligations of all subsidiaries thereof in which said corporation owns or controls a majority interest. A loan shall be deemed to be made for the benefit of a person, firm, syndicate or corporation to the extent that the proceeds of such loan are transferred to such person, firm, syndicate or corporation.

**Sec. 77-B. General limitation revoked in certain cases.** The following enumerated obligations shall not be subject to any limitation based upon capital, unimpaired surplus and net undivided profits of any trust company:

1. Obligations in the form of drafts or bills of exchange drawn in good faith against actual existing values;
2. Obligations arising out of the discount of commercial or business paper actually owned by the person, firm, syndicate or corporation negotiating such paper;
3. Obligations drawn in good faith against actual existing values and secured by goods or commodities in process of shipment;
4. Obligations of the United States, of this state, or any of its subdivisions, or of any municipal corporation of this state in the form of notes based on anticipated revenues from taxation.

**Sec. 77-C. Increase of general limitation.** The following enumerated obligations shall be subject to a limitation of 15% of the capital, unimpaired surplus and net undivided profits of any such trust company in addition to the general limitation prescribed in section 77-A:

1. Obligations as endorser or guarantor of notes other than commercial or business paper, excepted under the sub paragraph numbered 2 of section 77-B having a maturity of not more than 6 months and owned by the person, firm, syndicate or corporation endorsing or negotiating such obligations;
2. Obligations of any person, firm, syndicate or corporation in the form of notes or drafts secured by shipping documents, warehouse receipts, or other such documents, transferring or securing title covering readily marketable non-perishable staples, when such property is fully covered by insurance, if it is customary to insure such staples, when the market value of such staples securing such obligations is not at any time less than 115% of the face amount of such obligation, but the provisions of this paragraph shall not apply to the obligations of any one person,

firm, syndicate or corporation arising from the same transaction and/or secured upon the identical staples for more than 10 months;

3. Obligations of any person, firm, syndicate or corporation in the form of notes secured by not less than a like amount of bonds or notes of the United States issued since the 24th day of April, 1917, or certificates of indebtedness of the United States.

**Sec. 77-D. Bankers acceptances.** Obligations in the form of bankers acceptances of other banks, having not more than 6 months to run, if the accepting bank is secured either by attached documents or by some other actual and adequate security, shall be subject to a limitation of 40% of such capital, unimpaired surplus and net undivided profits in addition to the general limitation prescribed in section 77-A.'