

# MAINE STATE LEGISLATURE

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**Legislative Document**

**No. 640**

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S. P. 239

In Senate, February 12, 1957.

Referred to Committee on Judiciary. Sent down for concurrence and ordered printed.

CHESTER T. WINSLOW, Secretary.

Presented by Senator Low of Knox.

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## STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
FIFTY-SEVEN

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### **AN ACT to Create the Maine Industrial Building Authority.**

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

**Sec. 1. R. S., c. 38-B, additional.** The Revised Statutes are hereby amended by adding thereto a new chapter to be numbered 38-B, to read as follows:

#### **'CHAPTER 38-B.**

##### **Maine Industrial Building Authority Act.**

**Sec. 1. Title.** This chapter shall be known and may be cited as the "Maine Industrial Building Authority Act."

**Sec. 2. Purpose.** It is declared that there is a state-wide need for new industrial buildings to provide enlarged opportunities for gainful employment by the people of Maine and to thus insure the preservation and betterment of the economy of the State and its inhabitants. It is further declared that there is a need to stimulate a larger flow of private investment funds from banks, investment houses, insurance companies and other financial institutions including pension and retirement funds, to help satisfy the aforementioned need for housing industrial expansion. Therefore, the Maine Industrial Building Authority is hereby created to encourage the making of mortgage loans for the purpose of furthering industrial expansion in the State.

**Sec. 3. Credit of State pledged.** The Maine Industrial Building Authority is authorized to insure the payment of mortgage loans, secured by industrial projects as defined herein, and to this end the faith and credit of the State is hereby pledged, consistent with the terms and limitations of the amendment to the Constitution of the State of Maine, declared effective on

Sec. 4. Organization of Authority. The Maine Industrial Building Authority hereinafter called the Authority, hereby created and established a body corporate and politic, is constituted a public instrumentality of the State, and the exercise by the Authority of the powers conferred by the provisions of this chapter shall be deemed and held to be the performance of essential governmental functions. The Authority shall consist of 9 members, including the Commissioner of the Department of Development of Industry and Commerce, and 8 members at large appointed by the Governor with the advice and consent of the Council for a period of 4 years, provided that, of the members first appointed, 2 shall be appointed for a term of one year, 2 for a term of 2 years, 2 for a term of 3 years and 2 for a term of 4 years. A vacancy in the office of an appointive member, other than by expiration, shall be filled in like manner as an original appointment, but only for the remainder of the term of the retiring member. Appointive members may be removed by the Governor with the advice and consent of the Council for cause. The Authority shall elect one of its members as chairman and one of its members as vice-chairman, and shall also employ a manager subject to the provisions of the Personnel Law, who may be secretary, and shall also employ a treasurer subject to the provisions of the Personnel Law. The secretary and treasurer shall be bonded as the Authority shall direct. Five members of the Authority shall constitute a quorum and the affirmative vote of a majority of members, present and voting, shall be necessary for any action taken by the Authority. No vacancy in the membership of the Authority shall impair the right of the quorum to exercise all rights and perform all the duties of the Authority.

All the members of the Authority shall be reimbursed for their actual expenses necessarily incurred in the performance of their duties.

Sec. 5. Definitions. As used in this chapter, the following words and terms shall have the following meanings unless the context shall indicate another or different meaning or intent:

I. "Cost of project" shall mean the cost of fair market value of construction, lands, property rights, easements, franchises, financing charges, interest, engineering and legal services, plans, specifications, surveys, cost estimates, studies and other expenses as may be necessary or incident to the development, construction, financing and placing in operation of an industrial project as defined herein.

II. "Federal agency" shall mean and include the United States of America, the President of the United States of America, and any department of, or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America.

III. "Industrial project" shall mean any building or other real estate improvement and, if a part thereof, the land upon which they may be located, and all real properties deemed necessary to their use by any industry for the manufacturing, processing or assembling of raw materials or manufactured products.

IV. "Local development corporation" shall mean any incorporated organization, foundation, association or agency, regardless of the particular name, or

ganized under the provisions of sections 1 to 16, inclusive, of chapter 54, whose corporate form and organization shall have been approved by the Authority, to whose members or shareholders no profit shall enure, and which shall have as its primary function the promotion and encouragement of industrial development in the State of Maine.

V. "Maturity date" shall mean the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

VI. "Mortgage" shall mean a mortgage on an industrial project as defined herein, and the term "first mortgage" means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate under the laws of the State of Maine, together with the credit instruments if any, secured thereby.

VII. "Mortgagee" shall mean the original lender under a mortgage, and his successors and assigns approved by the Authority and may include all insurance companies, trust companies and their commercial departments, banking associations, investment companies, savings banks, executors, trustees and other fiduciaries, including pension and retirement funds.

VIII. "Mortgagor" shall mean the original borrower under a mortgage and his successors and assigns, and shall be limited to local development corporations as defined herein.

IX. "Mortgage payments" shall mean periodic payments called for by the mortgage, covering interest, installments of principal, taxes and assessments, mortgage insurance premiums and hazard insurance premiums.

Sec. 6. Powers. The Authority is authorized and empowered:

I. To adopt by-laws for the regulation of its affairs and the conduct of its business;

II. To adopt an official seal and alter the same at pleasure;

III. To maintain an office at such place or places within the State as it may designate;

IV. To sue and be sued in its own name, plead and be impleaded; provided, however, that any and all actions at law or in equity against the Authority shall be brought only in the county in which the principal office of the Authority shall be located;

V. To employ such assistants, agents, consultants and other employees as may be necessary or desirable for its purposes and to fix their compensation; and to utilize the services of other governmental agencies; provided, however, that such employment shall be consistent with the Personnel Law;

VI. To enter into agreements with prospective mortgagees and mortgagors, as defined herein, for the purpose of planning, designing, constructing, acquiring, altering and financing industrial projects, as defined herein;

VII. To make and enter into all contracts, leases, agreements and arrangements necessary or incidental to the performance of its duties and the execution of its powers under the provisions of this chapter;

VIII. To accept from a federal agency, as defined herein, loans or grants for the planning or financing of any industrial project, as defined herein, and to enter into agreements with such agency respecting any such loans or grants;

IX. To do all acts and things necessary or convenient to carry out the powers expressly granted in this chapter.

Sec. 7. Local development corporations. When a local development corporation, as defined herein, does not meet mortgage payments insured by the Authority by reason of vacancy of its industrial project, the Authority, for the purpose of maintaining income from industrial projects on which mortgage loans have been insured by the Authority and for the purpose of safeguarding the mortgage insurance fund, may grant the local development corporation permission to lease or rent the property to a responsible tenant for a use other than that specified in subsection III of section 5, such lease or rental to be temporary in nature and subject to such conditions as the Authority may prescribe.

Sec. 8. Mortgage insurance fund.

I. There is hereby created an industrial building mortgage insurance fund, hereinafter referred to as the "fund," which shall be used by the Authority as a non-lapsing, revolving fund for carrying out the provisions of this chapter. This fund shall initially be the sum of \$500,000. To this sum shall be charged any and all expenses of the Authority, including interest and principal payments required by loan defaults and to the sum shall be credited all income of the Authority, including mortgage insurance premiums and from the sale, disposal, lease or rental as hereinafter provided.

II. Moneys in the fund not needed currently to meet the obligations of the Authority in the exercise of its responsibilities as insurer as provided for in this chapter, shall be deposited with the Treasurer of State to the credit of the fund, or may be invested in such manner as is provided for by statute.

Sec. 9. Insurance of mortgages. The Authority is authorized upon application of the mortgagee to insure mortgage payments required by a first mortgage on any industrial project, as defined herein, upon such terms and conditions as the Authority may prescribe, provided that the aggregate amount of principal obligations of all mortgages so insured outstanding at any one time shall not exceed \$20,000,000. To be eligible for insurance under the provisions of this chapter a mortgage shall:

I. Have been made to and be held by a mortgagee approved by the Authority as responsible and able to service the mortgage properly;

II. Involve a principal obligation, including initial service charges and appraisal, inspection and other fees approved by the Authority, not to exceed \$500,000 for any one project and not to exceed 90% of the cost of project, as defined herein.

III. Have a maturity satisfactory to the Authority but in no case later than 25 years from the date of the insurance.

IV. Contain complete amortization provisions satisfactory to the Authority requiring periodic payments by the mortgagor which shall include principal and interest payments, cost of local property taxes and assessments, land lease rentals if any, and hazard insurance on the property and such mortgage insurance premiums as are required under section 10.

V. Contain such terms and provisions with respect to property insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges, default remedies, anticipation of maturity, additional and secondary liens, and other matters as the Authority may prescribe.

Sec. 10. Mortgage insurance premiums. The Authority is authorized to fix mortgage insurance premiums for the insurance of mortgage payments under the provisions of this chapter, such premiums to be computed as a percentage of the principal obligation of the mortgage outstanding at the beginning of each year. Such premiums shall be payable by the mortgagees in such manner as shall be prescribed by the Authority.

Sec. 11. Acquisition and disposal of property. The Authority may take assignments of insured mortgages and may take title by foreclosures or conveyance to any industrial project when an insured mortgage loan thereon is clearly in default and when in the opinion of the Authority such acquisition is necessary to safeguard the mortgage insurance fund, and may sell, or on a temporary basis lease or rent, such industrial project for a use other than that specified in subsection III of section 5.

Sec. 12. Authority expenses. The Authority may in its discretion expend out of the fund, as heretofore created, such moneys as may be necessary for any expenses of the Authority, including administrative, legal, actuarial and other services. All such expenses incurred by the Authority shall be paid by the Authority and when pertaining thereto shall be charged to the fund or to the appropriate industrial project or projects. Upon the issuance of mortgage insurance for any such project or projects, any expenses by the Authority charged thereto shall be reimbursed to the Authority from the proceeds of the mortgage. All proceeds received by the Authority from the disposal by sale or in some other manner of property it may have acquired in accordance with section 11 hereof shall be credited to the fund.

Sec. 13. Mortgages eligible for investment. Mortgages insured by the authority of this chapter are made legal investments for all insurance companies, trust companies and their commercial departments, banking associations, investment companies, savings banks, executors, trustees and other fiduciaries, pension or retirement funds.

Sec. 14. Records of account. The Authority shall keep proper records of accounts and shall make an annual report of its condition to the State Banking Commissioner.

**Sec. 15. Liberally construed.** The provisions of this chapter, being necessary for the welfare of the State and its inhabitants, shall be liberally construed to effect the purposes thereof.'

**Sec. 2. Appropriation.** For the establishment of the mortgage insurance fund, there is hereby appropriated \$500,000 from the unappropriated surplus of the general fund.