

# MAINE STATE LEGISLATURE

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**LAWS**  
OF THE  
**STATE OF MAINE**  
AS PASSED BY THE

ONE HUNDRED AND TENTH LEGISLATURE

**SECOND SPECIAL SESSION**

September 25, 1981

AND

**THIRD SPECIAL SESSION**

December 9, 1981

AND

**SECOND REGULAR SESSION**

January 6, 1982 to April 13, 1982

AND AT THE

**FOURTH SPECIAL SESSION**

April 28, 1982 to April 29, 1982

AND AT THE

**FIFTH SPECIAL SESSION**

May 13, 1982

PUBLISHED BY THE DIRECTOR OF LEGISLATIVE RESEARCH IN  
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TITLE 3, SECTION 164, SUBSECTION 6.

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J.S. McCarthy Co.  
Augusta, Maine  
1981

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**PUBLIC LAWS**  
OF THE  
**STATE OF MAINE**

AS PASSED AT THE  
SECOND AND THIRD SPECIAL SESSIONS

and

SECOND REGULAR SESSION

and

FOURTH AND FIFTH SPECIAL SESSIONS

of the

ONE HUNDRED AND TENTH LEGISLATURE

1981

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## CHAPTER 620

S.P. 867 - L.D. 2015

### AN ACT to Facilitate Acquisition, Improvement and Construction of Housing Financed through the Maine State Housing Authority.

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

Whereas, the national economy has been declining recently, causing serious economic dislocation in Maine and particularly serious difficulty for housing consumers and the housing industry in Maine; and

Whereas, by providing financing for housing, the Maine State Housing Authority can help to stabilize the housing industry, making jobs available for workers and homes available for purchase or for lease; and

Whereas, federal financial assistance for housing in Maine has been sharply curtailed recently; and

Whereas, it is essential and in the public interest that the Maine State Housing Authority facilitate the rehabilitation of Maine's existing housing stock, including the making of energy conservation improvements, in order to conserve resources; and

Whereas, implementation of the measures authorized by this Act will aid in arresting further economic deterioration and provide more housing for Maine citizens; and

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 necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 30 MRSA §4552, sub-§3-A, as enacted by PL 1975, c. 522, §1, is amended to read:

3-A. Construction loan. "Construction loan" shall mean means a loan for the purpose of developing, constructing, reconstructing or rehabilitating a housing unit or housing project and which shall be evidenced by an interest-bearing obligation constituting a first lien on land and such improvements as are financed by the loan, located in the State. In the case of an improvement on an Indian reservation, the requirement that the obligation be secured by a lien on the land shall be waived, if the obligation is fully insured pursuant to the Housing Mortgage Insurance Law secured in the same manner as a mortgage loan shall be secured.

Sec. 2. 30 MRSA §4552, sub-§11, last sentence, as amended by PL 1981, c. 470, Pt. A, §149, is further amended to read:

When this term is used in connection with loans made to improve or rehabilitate, for the purpose of energy conservation, owner-occupied one-family to 4-family residential housing in the State, including section 4651, subsection 13, and sections section 4712 and 4757, it shall not include families whose adjusted income exceeds 150% of the median family income for the State, as developed by the United States Bureau of the Census for the United States Department of Health, Education and Welfare and Human Services, or by any successor agency, for use in establishing eligibility for social services funded under the United States Social Security Act, Title XX or for any other use.

Sec. 3. 30 MRSA §4552, sub-§12, ¶B, 3rd sentence, as repealed and replaced by PL 1975, c. 625, §3, is amended to read:

Such work or undertaking may include buildings, land, equipment, facilities and other real or personal property for necessary, convenient or desirable appurtenances, including private commercial activity compatible with residential use as determined by an authority, so long as development costs related to such activity do not exceed 20% 40% of the amount of debt financing provided by an authority, and streets, sewers, water service, utilities, parks, site preparation, landscaping, administrative, community, health, recreational, welfare or other purposes; or

Sec. 4. 30 MRSA §4552, sub-§18, as amended by PL 1977, c. 564, §116-A, is repealed and the following enacted in its place to read:

18. Mortgage loan. "Mortgage loan" or "mortgage" means and includes:

A. An interest-bearing obligation secured by a mortgage constituting a first lien on single family or multi-unit residential housing, including any mortgage loan made for the purpose of developing, constructing or reconstructing single family or multi-unit residential housing;

B. An interest-bearing obligation which is fully insured pursuant to the Housing Mortgage Insurance Law, if the single family or multi-unit residential housing is located on either the Passamaquoddy Indian Reservation or the Penobscot Indian Reservation;

C. A home improvement note;

D. An interest-bearing obligation secured by an interest in manufactured housing as defined in Title 10, section 9002, subsection 7;

E. An interest-bearing obligation secured by a mortgage, pledge or collateral assignment of a lease of real property or a lease of air rights, provided that:

(1) The security shall include a first lien upon the lease; and

(2) Except for mortgage loans secured by manufactured housing situated on leased real property or air rights, the real property or air rights shall not be subject to any prior lien;

F. A participation interest in a mortgage loan; or

G. An interest-bearing obligation secured by a pledge or collateral assignment of a tenant-shareholder's interest in a consumer cooperative organized for housing purposes pursuant to Title 13, chapter 85, subchapter I.

This definition shall not preclude requirement of security in addition to that specified in this subsection for any mortgage loan.

Sec. 5. 30 MRSA §4601-A, sub-§1, ¶1N is enacted to read:

N. With respect to any bonds which the state authority is authorized to issue in accordance with the limitations and restrictions of this subchapter, covenant and consent that the interest on the bonds shall be includable, under the United States Internal Revenue Code of 1954 or any subsequent corresponding internal revenue

law of the United States, in the gross income of the holders of the bonds to the same extent and in the same manner that the interest on bills, bonds, notes or other obligations of the United States is includable in the gross income of the holders under the United States Internal Revenue Code or any subsequent law. The powers conferred by this paragraph shall not be subject to any limitations or restrictions of any law which may limit the state authority's power to so covenant and consent.

Sec. 6. 30 MRSA §4651, sub-§11, as amended by PL 1969, c. 564, §5, is further amended to read:

11. Mortgage credits. Pursuant to the purposes of this Act to provide housing for persons of low income, the state authority shall have the power to acquire from banks, life insurance companies, savings and loan associations, the Federal Government and other financial institutions, ~~first~~ mortgage loans and notes anywhere in the State of Maine consistent with section 4760, the restriction as to the area of operation in section 4552 notwithstanding, and to sell mortgages and notes to insurance companies, other financial institutions and the agencies of the United States of America or any fiduciaries or retirement funds;

Sec. 7. 30 MRSA §4716, first ¶, 2nd sentence, as enacted by PL 1975, c. 625, §18, is amended to read:

Qualified collateral security shall be limited to direct obligations of, or obligations guaranteed by, the United States of America; bonds, debentures, notes or other evidences of indebtedness, satisfactory to the state authority, issued by any of the following: Bank for Cooperatives, Federal Financing Bank, Federal Intermediate Credit Bank, Federal Home Loan Bank System, Export-Import Bank of the United States, Tennessee Valley Authority, Farmers Home Administration, Federal Land Banks, the Federal National Mortgage Association or the Government National Mortgage Association, direct obligations of or obligations guaranteed by the State; bonds and other direct and general obligations of any other state of the United States of America or of any instrumentality or agency thereof, or bonds guaranteed by any such state or instrumentality rated in either of the 2 highest a rating categories category of AA or Aa or their equivalents or better by a nationally recognized rating agency and as shall be approved by the trustee as having an established national market; insurance, letter of credit or other guarantee by a banking institution, insurance company or other business or financial organization the direct and general obligations of which are rated in a rating category of AA or Aa or their equivalents or better by a nationally

recognized rating agency; mortgages insured or guaranteed, in any manner, in part or in full, by the United States or any instrumentality thereof, or by this State or any instrumentality thereof; privately insured mortgages; conventional mortgages; certain municipal obligations as determined by the state authority; new housing authority bonds, preliminary loan notes, project notes, all fully secured by contract with the United States; or proceeds of any of the above.

Sec. 8. 30 MRSA §4716, first ¶, 3rd to 6th sentences, as enacted by PL 1975, c. 625, §18, are repealed.

Sec. 9. 30 MRSA §4716, 2nd ¶, as enacted by PL 1975, c. 625, §18, is repealed.

Sec. 10. 30 MRSA §4718 is enacted to read:

§4718. Bond rating category

Bonds issued pursuant to this Article shall be rated at or before issuance of the bonds in a rating category of A or its equivalent or better by a nationally recognized rating agency.

Sec. 11. 30 MRSA §4756, as last amended by PL 1979, c. 712, §8, is repealed and the following enacted in its place:

§4756. Purchase and sale of mortgage loans

The state authority may purchase or make commitments to purchase mortgage loans from any financial institution. The state authority may also sell or make commitments to sell mortgage loans to any person or financial institution. The state authority may exercise all rights and powers of a holder of any such mortgage loan.

Sec. 12. 30 MRSA §4757, as last amended by PL 1979, c. 712, §9, is further amended to read:

§4757. Lenders certification

No A obligation mortgage loan shall not be eligible for purchase or commitment to purchase by the state authority hereunder unless at or before the time of transfer thereof to the authority, the originating bank, life insurance company, savings and loan association, other financial institution or the United States and its agencies or instrumentalities certifies:

1. Loan a prudent investment. That in its judgment the mortgage loan would in all respects be a prudent invest-



ment for its own account; and

2. Reinvestment of sale proceeds. That, when the obligation mortgage loan so sold is secured by land and improvements constituting a one-family to a 4-family housing unit or has been held by the originator for more than one year since the completion of the construction of the securing structure, the proceeds of sale or its equivalent shall be reinvested in residential mortgages or notes within the State, or invested in short term obligations pending the purchase of such residential mortgages or notes. Notwithstanding any other provisions of this subchapter, for purposes of this section and section 4758, the term "residential mortgages or notes" includes, but is not limited to, mortgage loans ~~home improvement notes and other residential notes.~~

Sec. 13. 30 MRSA §4758, as last amended by PL 1979, c. 712, §10, is further amended to read:

§4758. Authority not obligated

The state authority shall not purchase from a seller who has previously sold to the state authority mortgage loans or obligations secured by land and improvements constituting one-family to 4-family housing units any new mortgage loan or obligation secured by land and improvements constituting a one-family to 4-family housing unit until such seller has completed the reinvestment in residential mortgages or notes or the purchase of such residential mortgages or notes contemplated in section 4757 and so informed the state authority in writing, provided, however, that if any seller had entered into a contract with the state authority, which contract provided for reinvestment of the proceeds of the sale of mortgages or obligations with certain restrictions within a certain time period, compliance with the terms of such contract shall constitute compliance with this section, and any seller who is performing within the terms of said the contract shall be deemed to have completed said the reinvestment requirements within the meaning of this section with respect to mortgages or obligations subject to such contract. The state authority shall have the right at all times to decline to purchase or to decline to make commitments to purchase any mortgage loan or obligation offered or submitted to it.

Sec. 14. 30 MRSA §4759, as enacted by PL 1969, c. 470, §18, is amended to read:

§4759. Consideration for mortgage loans purchased

The state authority shall pay for each mortgage loan or

obligation purchased an amount not in excess of the outstanding principal balance: Discount from the principal balance may be employed to effect a fair rate of return, as determined by the rate of return on comparable investment under market conditions existing at the time of purchase. In addition to the aforesaid payment of outstanding principal balance, the state authority shall pay the accrued interest due thereon on the date the mortgage loan or obligation is delivered to the state authority against payment therefor.

**Sec. 15. 30 MRSA §4760, first ¶, first sentence, as amended by PL 1977, c. 564, §118-C, is further amended to read:**

The state authority may authorize the issuance of revenue bonds of the authority in the manner and as provided in section 4751 for any of its authorized purposes including the purchase of ~~first~~ mortgage loans or evidences thereof, for residential housing or a housing project in the State of Maine ~~from the financial institutions and other agencies specified in accordance with~~ section 4756.

**Sec. 16. 30 MRSA §4760, last ¶, first sentence, as last amended by PL 1975, c. 623, §47-A, is further amended to read:**

The state authority may not purchase such ~~first~~ mortgage loan or evidence of such loan unless at least a reasonable number of the families or individuals who occupy or will occupy the mortgaged premises are persons of low income as defined in this subchapter.

**Sec. 17. 30 MRSA §4761, sub-§2, ¶C, last sentence, as repealed and replaced by PL 1973, c. 623, §1, is amended to read:**

The minimum amount of any Capital Reserve Fund shall be the minimum amount of money sufficient to meet the maximum payment required in the succeeding calendar year for payment of principal and interest falling due on all bonds outstanding under the resolution creating such Capital Reserve Fund and retiring all other such bonds required by the terms of such resolution to be retired equal to the amounts required under the resolutions pursuant to which the bonds secured by such Capital Reserve Fund are issued, such amounts being hereafter referred to as the required "minimum reserve."

**Sec. 18. 30 MRSA §4761, last ¶, as amended by PL 1973, c. 649, §1, is further amended to read:**

For purposes of valuation of any such fund the Housing

Reserve Fund or a Capital Reserve Fund to which the 3rd paragraph from the end of this section applies, securities acquired as an investment for any such fund shall be valued at par or actual cost to the state authority, whichever value is less.

Sec. 19. 30 MRSA §4762, 2nd sentence, and sub-§§1 and 2, as enacted by PL 1979, c. 521, §2, are amended to read:

Bonds Mortgage purchase bonds of the state authority secured by capital reserve funds to which the 3rd paragraph from the end of section 4761 does not apply, bond or mortgage insurance, direct or indirect contract with the United States, purchase or repurchase agreement or guaranty with a banking or other financial organization, or other credit arrangements securing the bonds may be issued up to \$100,000,000 per calendar year in an aggregate principal amount not to exceed \$200,000,000, and, further, the proceeds from any such bonds shall be used only to purchase the following types of interest bearing obligations from financial institutions:

1. Mortgage loans insured or guaranteed by the United States. Mortgage loans insured or guaranteed by the United States or an instrumentality thereof; and

2. Privately insured mortgages. Privately insured mortgages;

provided that all such mortgages purchased shall be limited to interest bearing obligations which finance land and improvements constituting one to -4- family owner-occupied residential housing units.

Sec. 20. 30 MRSA §4762, as last amended by PL 1981, c. 370, is further amended by adding at the end a new sentence to read:

Mortgage purchase bonds shall be rated at or before issuance of the bonds in a rating category of A or its equivalent or better by a nationally recognized rating agency.

**Emergency clause.** In view of the emergency cited in the preamble, this Act shall take effect when approved.