

MAINE STATE LEGISLATURE

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BANKS + BANKING

STATE OF MAINE
MAINE

Maine

SYNOPSIS OF CHANGES IN
MAINE BANKING LAWS
INCORPORATED IN
L.D. 1134

BUREAU OF BANKS AND BANKING

MAY 20, 1975

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MAINE
LEGISLATURE
AUGUSTA, MAINE

May 20, 1975

Members of the Committee
on Business Legislation:

At Representative Clark's request, I have summarized the significant changes contained in each chapter and section of the recodified banking statute bill (L.D. 1134) which is now under consideration by your Committee. We hope this document will provide a ready reference for answering your questions and questions you may receive from others about the bill.

Let me emphasize that while the organization, structure, and appearance of the recodified statute is completely new, the provisions of many of its sections are merely updated and edited versions of the existing law.

The Banking Bureau would be pleased to answer any questions you may have about this document or L.D. 1134. We would also be happy to furnish any additional information that would aid the Committee in its deliberations on this bill.

RALPH H. GELDER
Superintendent

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TITLE 9-B

PART I GENERAL PROVISIONS

CHAPTER 11 POLICY

§111. Declaration of policy - Paragraph restructured to put competition ahead of safety. Cooperation with other regulatory authorities added as a policy goal. (Committee #28)

§112. Severability - New section. Severability implicit in existing law.

CHAPTER 12 ADMINISTRATION

§121. Bureau of Banking - Title of Bureau shortened for convenience. (Committee #29)

CHAPTER 13 DEFINITIONS

§131. Definitions - New section of law. Many terms are not defined or are scattered throughout existing law. Comments on definitions referred to in context of relevant sections.

CHAPTER 14 HOLIDAYS

§141. Financial institution holidays - Housekeeping changes only with exception of subsection 4 which requires public posting of notice of offices closed for holidays and emergencies.

§142. Saturday hours - No change.

§143. Acts performed after noon Saturday - No change.

CHAPTER 15 EMERGENCIES

§151. Declaration of emergency by Governor - No change.

§152. Superintendent's powers during emergency - No change.

PART 2 BUREAU OF BANKING

CHAPTER 21 ADMINISTRATION

§211. Superintendent - Subsection (1) removes requirement of 7 years banking or regulatory experience as prerequisite for appointment to broader standard of "knowledge of banking field". (Committee #34)

Subsection (4) new; requires Commissioner of Business Regulation to fill vacancy in six months. (Committee #30, 33)

§212. Deputy superintendents and other personnel - Primarily housekeeping changes. (Committee #31)

Subsection (3) new; requires examiner training not to give overemphasis to safety considerations. (Committee #32)

§213. Prohibited relationships with supervised institutions - Bureau employees explicitly prohibited from owning stock in institutions supervised by Bureau. (Committee #35) Also loans received by Bureau employees or such person's immediate family from institutions supervised must be reported to superintendent. (Committee #35)

§214. Revenue and expenses - Mostly housekeeping. Also provides for superintendent to raise annual assessment fee of 7 cents per \$1,000 of deposits, subject to regulation and hearing procedures of Section 251.

§215. Rules and regulations - Essentially editorial changes.

§216. Advisory boards - Abolishes existing boards appointed by individual industries with veto power over Bureau regulations. Provides for new boards appointed by superintendent without veto power. (Committee #37)

CHAPTER 22 EXAMINATIONS, RECORDS AND REPORTS

§221. Examinations - Permits superintendent discretion to accept federal examination reports in order to satisfy annual "on site" examination requirement. (Committee #45)

§222. Reports and other information from supervised institutions - Mostly editorial and housekeeping changes. New provision requiring financial institutions to report to the Bureau changes in their chief executive officers.

- §223. Publication and posting of reports - New section. Requires publication of income and condition (balance sheet) reports in newspaper. Also requires availability of latest income and condition reports in all banking offices at least 10 days prior to annual meeting. (Committee #21)
- §224. Records to be kept by supervised institutions - Essentially editorial and housekeeping changes. New requirement that a record be maintained of all "arrangements" between institution and its directors, officers or corporators.
- §225. Retention of financial institution records - Editorial and housekeeping changes only.
- §226. Confidentiality - Limits required disclosure to Governor and Attorney General. (State Treasurer deleted from current law) Give superintendent power to disclose to certain others (including State Treasurer) provided confidentiality is maintained. Penalties retained. New section more flexible than old law.
- §227. Subpoena powers - No change.
- §228. Report of violations - No change.

CHAPTER 23 CEASE AND DESIST ORDERS: REMOVAL OF OFFICERS OR DIRECTORS

- §231. Cease and desist orders - Rewritten and restructured to assure due process; however, no substantial revisions.
- §232. Removal of officer or director - Completely new section. Maine removal procedures track key provisions of Federal law; due process assured. (Committee #40)
- §233. Enforcement by Superior Court - Rewritten, but incorporates provisions of existing law. No substantive revisions.
- §234. Notice to Federal authorities - New section; purpose is to assure Federal authorities are informed of State actions.

CHAPTER 24 ANTICOMPETITIVE OR DECEPTIVE PRACTICES

- §241. Anticompetitive or unfair practices - New section. Purpose is to safeguard Maine institutions, particularly smaller ones, from potential problems of unfair or anticompetitive conduct. Gives superintendent explicit authority to promulgate regulations, subject to rule-making procedures of section 251. (Committee #38)
- §242. Deceptive advertising; regulation - New section. Advertising should aid and inform consumers of their options for financial services. To guard against deceptive advertising, section gives superintendent power to issue regulations, pursuant to rule-making procedures of Section 251. (Committee #39)
- §243. Tie-in arrangements - New section. Prohibits financial institutions from requiring customers to take a second service as a condition of obtaining a first service. Parallels Federal bank holding company provisions.
- §244. Exemption - New section. Gives Banking Bureau primary regulatory jurisdiction in Chapter 24 matters.

CHAPTER 25 ADMINISTRATIVE PROCEDURES

- §251. Rule-making - Essentially an entirely new section. Every section in Title 9-B providing for rule-making refers back to this key section. Section provides rules and guidelines for notice of rule-making, submission of written comments, opportunity for hearing, deadlines for taking action on proposed regulation, issuance and distribution of final regulations, and a minimum 30-day waiting period before final rules become effective. (Committee #41)
- §252. Decision-making - New section. Procedures for processing applications for charters, branches, mergers, acquisitions, subsidiary formations, permissible "closely-related" activities by financial institutions and financial institution holding companies are covered by this key section. Section provides rules and guidelines for giving notice of applications received, establishment of public file, submission of written comments, opportunity for hearing, deadlines for reaching final decision, publication of action taken, and 30-day waiting period before decision becomes effective. (Committee #42)

- §253. Criteria for decision-making - Concept of public convenience and advantage not new. However, standards have been made more explicit and apply to every application received under §252. In essence, superintendent cannot approve application unless it contributes to public interest. In old law, standards were hodge-podge or non-existent for various types of applications. (Committee #44)
- §254. Hearings by superintendent - New section. Establishes procedures for granting and conducting hearings pursuant to rule-making and decision-making proceedings. Section provides rules and guidelines for requesting hearing, grant or denial of hearing request by superintendent, notice of hearing, procedures for conducting hearings, standards for admissability of evidence, deadlines for issuing decision, and publication of findings.
- §255. Hearings on petition of 25 persons - New section. Designed to give the public a vehicle for initiating and participating in hearings as an interested party. Concept of hearings on petition of 25 or more persons patterned after procedures of Maine Public Utilities Commission. (Committee #43)
- §256. Judicial review of superintendent's action - Essentially an expanded and more detailed version of existing law and practices. Incorporates provisions of Rule 80B of Maine Rules of Civil Procedures.

PART 3 ORGANIZATION AND STRUCTURE
OF FINANCIAL INSTITUTIONS

CHAPTER 31 ORGANIZATION AND MANAGEMENT OF STOCK INSTITUTIONS

Chapter 31 deals with organization and management of trust companies, savings banks and savings and loan associations operating as financial institutions and is not substantially different from the thrust of the existing law. Notable modifications include making chapter conform with provisions of Title 13-A (Maine Business Corporation Act) which was completely updated several years ago, allowing the formation of stock savings banks and stock savings and loan corporations, and generally tightening the statute with numerous housekeeping, organizational and editorial changes to make it more explicit and readable. Also application fee raised from \$500 to \$1,000.

CHAPTER 32 ORGANIZATION AND MANAGEMENT OF MUTUAL INSTITUTIONS

Chapter 32 is similar to Chapter 31, except that it applies to mutually organized financial institutions including mutual trust companies as well as mutual savings banks and mutual savings and loan associations. Numerous housekeeping and organizational changes but not substantively different from existing law except for two areas. Section 325(1)(B) and section 326(1)(F) provide for mandatory retirement age of 72 for corporators and directors (trustees), effective 2 years after enactment of sections. (Committee #20) Also section 325(1)(F) and section 326(1)(G) gives superintendent power to comment on sociological composition of board of corporators and boards of trustees. Sociological composition, as defined in section 131(38), means the reflection of broad social and economic characteristics of communities in which mutual institutions derive bulk of deposit and loan business. (Committee #19)

CHAPTER 33 BRANCHES

§331. Applicability of chapter; statewide branching - Permits branches and facilities to be established or operated statewide. Present law limits branches to main office county and counties adjoining the main office county. (Committee #5)

- §332. Branch offices - Essentially same as existing law. Branch is a premise other than main office where business of banking is conducted, i.e. receiving of deposits and making of loans. Establishment requires superintendent's approval.
- §333. Limited-time or seasonal branch office - Provision for seasonal branch is new. Banking Bureau has permitted limited-hour and limited-day branch offices in small, remote communities. New law would not permit seasonal branch in area serviced by full-time office, but would not prevent entry of full-time office to area served by seasonal office. Could convert full-time to seasonal, provided no other full-time branches in area. Purpose of this section is to encourage entry to areas that apparently can't support a full-time office. Competition will assure full-time services if market conditions warrant. (Committee #7)
- §334. Satellite facilities - New section. Provides for manned and unmanned "off premise" facilities or electronic terminals which may be located in the premises of a business establishment. Such facilities may be jointly-owned and must be shared with other financial institutions requesting access thereto. Such facilities may be part of an electronic funds transfer system, and are considered a branch for purpose of Title 9-B.
- §335. Change of office location; closing of an office - Essentially same as existing law.
- §336. Approval powers of superintendent - Spells out application requirements and related matters. Provision for 6 month extension of time to open office is new.
- §337. Real estate for offices and facilities - New provision in this section limits real estate investment in branches and facilities to 50% of capital and surplus for stock institutions and 50% of total surplus for mutual institutions, unless higher amount is approved by superintendent for good cause shown.
- §338. Operating hours: branch offices and facilities - Essentially unchanged from existing law.
- §339. Prohibited branches - New provision. Explicitly prohibits mobile branches and out-of-state branches by Maine institutions and branching in Maine by out-of-state institutions. (Committee #8)

CHAPTER 34 CHANGES IN CHARTER AND OWNERSHIP FORM

- §341. Applicability of chapter; fees - Provide for fee of \$1,000 for certain applications pursuant to this chapter.
- §342. Conversion to new charter: Federal to State; State to Federal; other conversions - Old law was abbreviated and incomplete. While new law is not substantively different from old, it provides a consistent, rigorous procedure for charter conversions, pursuant to the application procedures (and public convenience and advantage standard) of section 252.
- §343. Change in type of institutional charter - New section. Provides procedures for financial institution to convert its charter from one type of business (e.g. savings and loan) to another (e.g. savings bank). New procedures require 2/3 vote of directors as well as stockholders, incorporators or members. Also application must meet the requirements of section 252. Designed to provide institutional flexibility consistent with the public interest. (Committee #17)
- §344. Conversion; mutual to stock ownership - New section. Provides procedure for mutual institution to convert to stock institution of same type of charter. Requires approval of directors as well as 2/3 vote of institution's members or incorporators and must comply with application requirements of section 252. Section 344(2)(B) provides extra protection by more or less obligating superintendent to hold hearing (even if not requested by interested party) to determine that conversion plan provides fair and equitable treatment to depositors of the mutual institution. (Committee #18)
- §345. Conversion: stock to mutual ownership - New section. Method of adopting and approving plan of conversion same as required in section 343. (Committee #18)
- §346. Change of institutional name - Similar to provisions of old law, except application to change name must now be processed in accordance with section 252.
- §347. Effect of conversion or amendment; nonconforming activities - Requires that all conversions in Chapter 34 comply with sections 356, 357 and 358, which deal with such matters as valuation of assets after conversion; creditors rights, effects of conversions on judicial proceedings, plans for possible divestiture of nonconforming activities, etc.

CHAPTER 35 MERGERS, CONSOLIDATIONS AND ACQUISITIONS

- §351. Applicability of chapter; fees - Provides for a fee of \$1,500 for processing merger applications under this chapter.
- §352. Mergers and consolidations: stock institutions - Essentially same as requirements under existing law. However, merger statutes have been completely rewritten, standardized, coverage broadened, and made consistent with Maine and Federal law. Requires publication and notice of merger, approval of superintendent under section 252, and satisfaction of other procedural matters. (Worked closely with Secretary of State on ministerial requirements of new law.) Provisions regarding rights of dissenting stockholders are same as under existing law.
- §353. Mergers and consolidations: mutual institutions - Essentially the same as requirements under existing law. Section 353 parallels section 352 and represents a complete rewrite of existing law.
- §354. Mergers and consolidations: stock and mutual institutions - New section. Stock into mutual requires acquisition through a tender offer of a minimum of 90% of shares. Also required to comply with all other provisions of Chapter 35 relating to mergers and acquisitions. Mutual into stock tracks all of the provisions of section 344 relating to the conversion of a mutual into a stock institution.
- §355. Acquisition of assets; assumption of liabilities - Almost a completely new section; existing law is deficient with respect to asset acquisitions. New law incorporates all of the basic provisions relating to mergers and consolidations and is compatible with Federal laws regarding acquisitions.
- §356. Book value of assets - Same as existing law. Prohibits assets to be written at higher value after merger than they were before merger without superintendent's approval.
- §357. Effect of merger, consolidation, conversion or acquisition - Essentially same as existing law with minor housekeeping and editorial changes.
- §358. Nonconforming activities: cessation - Requires that plan of merger, consolidation, conversion or acquisition provide for method and schedule for terminating activities not permitted by Maine law for the resulting institution. Also, gives superintendent power to require, as a condition to a merger, the divestiture of a nonconforming activity, should the circumstances warrant such action.

CHAPTER 36 CONSERVATION, LIQUIDATION AND INSOLVENCY

The provisions of this chapter providing for the conservation of assets and the voluntary and involuntary liquidation of assets are basically unchanged from the existing law. However, the chapter has been updated to conform with Title 13-A and made equally applicable to all financial institutions. Most changes were of an organizational or housekeeping nature.

PART 4 POWERS AND DUTIES OF FINANCIAL INSTITUTIONS

CHAPTER 41 GENERAL POWERS

- §411. Applicability of chapter - Self-explanatory.
- §412. General corporate powers - A number of minor revisions incorporated in section to bring in conformity with Title 13-A. Also represents a general consolidation of powers that are presently set forth separately for each type of institution.
- §413. Borrowing - Essentially same as existing law. Prior approval of superintendent is explicitly incorporated in new law for institutions to issue capital notes and debentures.
- §414. Deposits in financial institutions - Editorial changes only.
- §415. Participation in public agencies - Housekeeping changes only.
- §416. Powers of Federally-chartered institutions - Expanded section. Maine-chartered financial institutions would have power to engage in any activity which Federally-chartered institutions may engage, to the extent authorized by the superintendent pursuant to regulations issued under the provisions of section 251.

CHAPTER 42 DEPOSITS IN GENERAL

- §421. Applicability of chapter; tax exemption - No change in tax exemption provision.
- §422. Insurance of deposits or accounts - New section. Requires all financial institutions to carry Federal deposit insurance within two years after effective date of section. (Committee #12)
- §423. Demand deposits - New section. Gives thrift institutions power to offer personal demand deposits (checking accounts) to individuals. Thrift institutions would be given power to offer demand deposits to individuals and businesses, when interest rate payable on deposits are equalized by Federal authorities or when Federally-chartered thrift institutions are granted general demand deposit powers, provided enabling regulations are issued by superintendent. Commercial banks now have general demand deposit powers. All demand deposits are subject to cash reserve requirements set forth in sections 514, 613, or 714 depending on the type of institution. (Committee #9, 11)

- §424. NOW accounts - New section. Prohibits financial institutions from making 3rd party payments from interest bearing accounts (so-called NOW accounts) unless authorized by Federal law and only then after enabling regulations are issued by superintendent. Cash reserve requirements must be maintained against such NOW accounts. (Committee #10, 11)
- §425. Computation of dividends and interest on deposits and accounts - New section. Specifies methods for computing interest and dividends; currently left up to individual institution. Requires that dividends be calculated monthly, even though dividends may be only payable quarterly, semi-annually or annually.
- §426. Savings deposits or accounts: written notice of withdrawal - Essentially same as existing law. However, contains new statutory requirement that interest must be paid on deposit during waiting period prior to withdrawal.
- §427. Deposit or account transactions - No substantive changes. Numerous housekeeping and editorial revisions.
- §428. Inactive deposits or accounts - Extensive rewriting of section but no substantive revisions in law.

CHAPTER 34 LOANS IN GENERAL

- §431. Applicability of chapter - Self-explanatory.
- §432. Interest on loans - No change. However, specific reference is made in statute to applicability of Title 9-A (Consumer Credit Code) relative to consumer transactions.
- §433. Fair credit extension - New section. Provides that every institution authorized to do business in State shall be subject to and comply with provisions of Title 5, sections 4595 to 4598 providing for the fair extension of credit by lenders in the State.
- §434. Loan participations and purchases - New section. Incorporates into law, definition and treatment of loan participations which are currently handled informally on an ad hoc basis. Also allows participations with affiliated companies, or with officers, directors and employees of the initiating institution, provided such transaction is approved by the board of directors and complete records are kept of such participations.
- §435. Minority of borrower - No change.

- §436. Open-end mortgages - Other than editorial changes, same as existing law.
- §437. Repayment of noncommercial and consumer loans - Basically a new section. Gives borrower right to repay a consumer loan at any time upon application to lending institution.
- §438. Federal funds loans or sales - Broadens power of financial institutions to sell balances held in commercial banks to other insured financial institutions. Provides that "overnight" sales are exempt from loan limitations based on capital and reserves. Sales for more than one day subject to loan limitations. Also requires policy statement with respect to such overnight loans by board of directors and complete documentation by the lending institution of such transactions.

CHAPTER 24 SERVICES AND INCIDENTAL ACTIVITIES

- §441. Applicability of chapter - Self-explanatory.
- §442. Trustee, self-employment retirement plans - Updated to include recent revisions in Federal law.
- §443. Services for customers - Only change is explicit provision which allows financial institutions to participate in Maine State Lottery as a depository and ticket distribution agent.
- §444. Credit cards - Allows all financial institutions to issue credit cards. This is a new power for thrift institutions. (Committee #16)
- §445. Service corporations - Essentially a revised section. Allows a financial institution to invest up to 50% of its capital and reserves (stock company) or 50% of its total surplus account (mutual) in capital stock of service corporations. As defined in section 131(37), a service corporation is a company substantially all the activities of which consist of making and servicing loans or providing accounting, computer, management, personnel, marketing or investment counseling services. May be jointly-owned provided approval is obtained from superintendent. His decision shall be based on decision-making criteria set forth in section 253.

§446. Closely-related activities - New section. Permits financial institution which is not subsidiary of a holding company to engage in activities which holding companies may engage in. Must make application to superintendent under section 252. Activity must be conducted through subsidiary corporation. The total investment by the financial institution in such corporations is limited to 50% of capital and surplus (stock) or total surplus (mutual). Joint ownership is permitted provided superintendent shall approve such joint ownership under the criteria of section 253. (Committee #4)

CHAPTER 45 RECORDS AND REPORTS

§451. Applicability of chapter - Self-explanatory.

§452. Maintenance of records; accounting and assets - Basically same as existing law; revisions are mostly housekeeping and editorial.

§453. Annual audits - Contains minor revisions. Annual audit required. Requirement that complete verification of deposits by Banking Bureau be conducted every three years has been removed from law. Section allows superintendent to take into account institution's internal audit procedures in determining the comprehensiveness of external audit that would be required.

§454. Destruction of deposit records - No change.

CHAPTER 46 PROHIBITIONS

§461. Applicability of chapter - Self-explanatory.

§462. Interlocks of directors, corporators, officers and advisory committee members - Extends ban on corporate interlocks to corporators and voting members of advisory committees. (Committee #22)

§463. Stock in Maine financial institutions - New section. Prohibits acquisitions or investment in stock of other Maine financial institutions except pursuant to a merger or holding company acquisition. Requires that existing holdings of stock be reduced to 1 percent of the outstanding voting shares of the other institution within a 10-year period. Additional time for divestiture permitted if superintendent determines, through a hearing, that more time is necessary. (Committee #46)

§464. Loans on shares of stock - Extends prohibition against making loans on security of financial institution's own stock to stock of that institution's parent holding company.

→ §465. Loans to directors, corporators or officers - Essentially no change for trust companies. New law prohibits thrift institutions from making loans to its officers and directors except for first mortgage loans and personal loans up to \$5,000.

§466. Unlawful acts - Substance of section unchanged. However, provisions of section extended uniformly to all financial institutions, including corporators of savings banks. Numerous editorial and housekeeping revisions.

§467. Outside business interests - Extends prohibition preventing trust company officers and directors from acting as security salesman, broker or dealer to directors and officers of thrift institutions. Other provisions unchanged.

PART 5 SAVINGS BANKS

CHAPTER 51 CAPITAL AND CASH RESERVE

- §511. Applicable law; powers - No change.
- §512. Undivided profits - No change.
- §513. Guaranty fund - Rewritten and restructured but essentially no change.
- §514. Cash reserve - New section. Requires a cash reserve against various types of deposit liabilities, with the actual percentage of reserves required set by superintendent with statutory ranges. Cash reserve must be held in form of cash, deposits in banks, Federal funds sold, and obligations of U.S. and U.S. government agencies. Except for penalties, section 514 same as section 613 and section 714 applicable to trust companies and savings and loans, respectively.

CHAPTER 52 DEPOSITS

- §521. Deposits in general - Makes savings banks subject to general deposit provisions of Chapter 42.
- §522. Classifications and amounts - Housekeeping and editorial changes only.
- §523. Dividends and interest on deposits and accounts - Essentially the same as existing law with minor editorial changes.

CHAPTER 53 LOANS

- §531. Loans in general - Makes savings banks subject to general loan provisions of Chapter 43.
- §532. Real estate mortgage loans - Editorial and housekeeping changes only.
- §533. Other mortgage loans - Primarily editorial and housekeeping changes. Mobile home loan provisions more detailed, but not necessarily more restrictive than existing statute.

- §534. Personal and consumer loans - \$5,000 limitation to any one borrower in current law removed and replaced with 1% of deposits limitation. No change in 10% of deposits maximum limitation on personal loans. (Committee #14a, 15)
- §535. Loan participations originated by commercial banks - Essentially only housekeeping and editorial changes. No change in 10% of deposits maximum limitation on participation loans. (Committee #14b)
- §536. Other prudent loans - Various permissible loans sections of existing law consolidated into prudent loan section. Prudent loan ceiling changed from 5% to 10% of deposits. Nevertheless, really a minor contraction of existing loan powers. (Committee #14c)
- §537. Additional loans authorized by superintendent - New section. Leeway provision added which permits superintendent by regulation to grant savings banks authority to make additional investments in commercial loans or commercial loan participations between 0 and 10% of total deposits. Also gives superintendent authority to adjust percentages in sections 534, 535 and 536 provided that total percentage of these sections combined does not exceed 30%. (Committee #14d)
- §538. Miscellaneous loans - Primarily organizational and housekeeping changes.
- §539. Aggregate limitation on loans - Housekeeping and editorial changes only.

CHAPTER 54 REAL PROPERTY OWNERSHIP

- §541. Real estate investment in general - Refers to real estate provisions in other sections of 9-B.
- §542. Real estate other than for offices - Permits savings banks to invest in or hold real estate anywhere in Maine provided such investments do not exceed, along with real estate owned for offices, 50% of surplus account.
- §543. Housing development real estate - Primarily housekeeping and editorial changes.

CHAPTER 55 INVESTMENTS IN SECURITIES

- §551. Investments in general - General statement of investment powers.
- §552. Government unit bonds - No change; minor editorial revisions.
- §553. Corporate securities - Minor editorial and housekeeping changes.
- §554. Financial institution stock and other obligations - Provisions restructured and simplified. Special section on insurance company stocks deleted.
- §555. Other stock investments - Investment in Maine Development Credit Corporation obligations expanded somewhat.
- §556. Other prudent securities - No change.
- §557. Retention of unauthorized securities - No change.
- §558. Change in investment limitations - Essentially the same. Requirement added that changes proposed by superintendent must be made pursuant to section 251.
- §559. Subsidiary companies - New section. Allows savings banks to invest in subsidiary corporations pursuant to section 445 and 446.

CHAPTER 56 ADDITIONAL POWERS

- §561. Powers in general - General statement of powers.
- §562. Federal Reserve membership - No change.
- §563. Federal Home Loan Bank membership - No change.
- §564. Promissory notes; bills of exchange - No change.
- §565. Borrowing - No change.

CHAPTER 57 PROHIBITIONS

- §571. Prohibitions in general - Refers back to general prohibitions of Chapter 46.
- §572. Use of the word "saving" - No change.

PART 6 TRUST COMPANIES

CHAPTER 61 CAPITAL AND CASH RESERVE

- §611. Applicable law; powers - No change.
- §612. Guaranty Fund - New section. Establishes guaranty fund requirements for mutual and stock trust companies similar to those for thrift institutions.
- §613. Cash reserve - Concept not new, but percentage requirements have been lowered and assets that can be used to meet reserve requirements have been expanded. For example, trust companies would be permitted to count Federal Funds sold and U.S. Government and U.S. Government Agency securities as a part of cash assets in meeting reserve requirements. Also other housekeeping and editorial changes in section. Section identical to thrift institutions cash reserve requirements, except for penalties.
- §614. Federal Reserve membership - No change.
- §615. Liability of stockholders - No change.

CHAPTER 62 DEPOSITS

Only minor housekeeping and editorial changes were made in provisions in this Chapter.

CHAPTER 63 LOANS

Only minor housekeeping and editorial changes were made in provisions of this Chapter.

CHAPTER 64 PROPERTY OWNERSHIP

No change.

CHAPTER 65 INVESTMENTS IN SECURITIES

No changes in provisions of this Chapter except for addition of new section which permits investment in the stock of subsidiary corporations pursuant to sections 445 and 446.

CHAPTER 66 ADDITIONAL POWERS

Only minor editorial changes were made in provisions of this Chapter.

CHAPTER 67 PROHIBITIONS

Only minor editorial changes made in provisions of this Chapter.

PART 7 SAVINGS AND LOANS

CHAPTER 71 CAPITAL AND CASH RESERVE

- §711. Applicable law; powers; name - No change.
- §712. Undivided profits - Only minor housekeeping revisions.
- §713. Guaranty fund - Rewritten and restructured but essentially no change.
- §714. Cash reserve - New section. Requires a cash reserve against various types of deposit liabilities, with the actual percentage of reserves required set by superintendent with statutory ranges. Cash reserve must be held in form of cash, deposits in banks, Federal funds sold, and obligations of U.S. governments and U.S. government agencies. Except for penalties, section 714 same as section 613 and section 514 applicable to trust companies and savings banks, respectively.

CHAPTER 72 DEPOSITS

- §721. Deposits in general - Makes savings and loans subject to general deposit provisions of Chapter 42.
- §722. Classification and amounts - Housekeeping and editorial changes only.
- §723. Dividends and interest on share accounts and deposits - Essentially the same as existing law with minor editorial changes. Dividend minimum lowered from \$50 to \$25.
- §724. Limitation upon accounts or deposits - Minor editorial changes only.
- §725. Withdrawals - Essentially unchanged except for editorial revisions.
- §726. Retirement of accounts or deposits - Minor editorial revisions only.
- §727. Application of withdrawal value to indebtedness - No change.
- §728. Deposits as legal investments or security for bonds - No change.

CHAPTER 73 LOANS

- §731. Loans in general - Makes savings and loans subject to general loan provisions of Chapter 43.
- §732. Real estate mortgage loans - Primarily editorial and housekeeping changes.
- §733. Other mortgage loans - Primarily editorial and housekeeping changes. Mobile home loan provisions more detailed, but not necessarily more restrictive than existing statute.
- §734. Personal and consumer loans - New section. Permits savings and loans to grant personal loans up to 10% of total deposits. Loans to any one borrower cannot exceed 1% of deposits. (Committee #14a, 15)
- §735. Loan participations originated by commercial banks - New section. Savings and loans given authority to participate in commercial loans up to 10% of total deposits. (Committee #14b)
- §736. Other prudent loans - Section expanded to include specific types of prudent loans. 10% of total deposits limitation retained. (Committee #14c)
- §737. Additional loans authorized by superintendent - New section. Leeway provision added which permits superintendent by regulation to grant savings and loans authority to make additional investments in commercial loans or commercial loan participations between 0 and 10% of total deposits. Also gives superintendent authority to adjust percentages in sections 734, 735 and 736 provided that total percentage of these sections combined does not exceed 30%. (Committee #14d)
- §738. Miscellaneous loans - Primarily organizational and housekeeping changes.
- §739. Aggregate limitation on loans - Housekeeping and editorial changes only.

CHAPTER 74 REAL PROPERTY OWNERSHIP

- §741. Real estate investment in general - Refers to real estate provisions in other sections of 9-B.
- §742. Real estate other than for offices - Unchanged except for editorial revisions.

CHAPTER 75 INVESTMENTS IN SECURITIES

No substantive changes in provisions of this Chapter except for addition of new section (§754) which permits investment in stock of subsidiary corporations pursuant to sections 445 and 446.

CHAPTER 76 ADDITIONAL POWERS

No substantive changes in provisions of Chapter except for addition of new section (§764) which permits savings and loans to maintain a clearing account in the Federal Reserve Bank of Boston.

CHAPTER 77 PROHIBITIONS

Only minor editorial changes made in the provisions of this Chapter.

PART 8 CREDIT UNIONS

CHAPTER 81 ORGANIZATION AND FORMATION

- §811. Applicable law; powers - Editorial and housekeeping changes only.
- §812. Permission to organize - Key change is that credit unions required for the first time to comply with public convenience and advantage standard as well as be subject to administrative procedures sections of Title 9-B. Permits superintendent to require publication of a notice of new credit union being organized and increases application fee from \$25 to \$50.
- §813. Organization - Concept essentially the same, but section has been expanded and requirements more detailed.
- §814. Membership requirements - Essentially the same, except field of membership boardened by adding "or employers located within a well-defined industrial park or community". Also allows superintendent to authorize organizations of members to hold more than 25% of total shares.
- §815. Supervision and examination - Essentially the same, except the minimum semi-annual assessment fee is increased from \$10 to \$25 and is based on members' shares instead of assets (by reference to section 214).

CHAPTER 82 POWERS

- §821. Powers in general - New opening statement.
- §822. Borrowing - Same limitations. Permits superintendent to approve larger borrowings. (Committee #24)
- §823. Services for members - Editorial changes plus provisions for safekeeping and self-employment retirement plans.
- §824. Participation in electronic funds transfer system - New section. Allows issuance of cards or other devices permitting members access to established electronic funds transfer systems.
- §825. Participation in public lotteries - New section. Allows credit unions to participate in public lotteries as depository and ticket distribution agents.

- §826. Branch offices - New section. Allows branches, subject to approval of superintendent, provided they meet needs of common bond members.
- §827. Deposits - Editorial changes only.
- §828. Powers of federally-chartered credit unions - New section. Permits superintendent to issue regulations allowing state-chartered credit unions to engage in any activity a Federal Government-chartered credit union may hereafter be authorized to engage in by legislation or regulation.

CHAPTER 83 FINANCIAL MANAGEMENT

- §831. Share capital and surplus - Housekeeping changes plus allows value of shares to range from \$5 to \$25 instead of setting it at \$5. Also defines "surplus". (Committee #23)
- §832. Guaranty fund - Substantial change. Payment into the fund set at 10% of gross income until it equals 7% of loans and risk assets and then 5% of gross income until it equals 10% of loans and risk assets while existing law requires 10% of net income until fund equalled 20% of assets. (Committee #26)
- §833. Dividends and interest - Some changes. Rate ceiling on dividends increased from 6% to 7%. Superintendent authorized to make adjustments in rate by regulation subject to maintenance of competitive equality. (Committee #25)
- §834. Fiscal year - Same.
- §835. Reports to superintendent - Housekeeping changes plus increases penalty for late filing from \$5 per day to \$100 per day.
- §836. Insurance of shares - Revised section. Requires all credit unions to obtain insurance of share accounts from National Credit Union Administration within two years. Existing law permits credit unions to obtain insurance of accounts by National Credit Union Administration or other source approved by superintendent.

CHAPTER 84 MANAGEMENT AND OPERATIONS

- §841. Management in general - New section. General statement that affairs shall be conducted in accordance with the provisions of Title 13-A, except as provided in this chapter and Part.
- §842. Board of directors - Reorganization of several sections of existing law. Directors will appoint credit committee instead of it being elected by members.
- §843. Officers and employees - Same.
- §844. Supervisory committee - Requires annual instead of semiannual examination of cash and accounts. Allows superintendent to cause verification of accounts if he deems committee verification inadequate. Otherwise, the same.
- §845. Credit committee - Same.
- §846. Meetings of the members - Essentially the same. Limits voting age of members to those 18 and over.
- §847. Expulsion of members - Same.
- §848. Amendment of bylaws and charter - Essentially the same.

CHAPTER 85 LOANS

- §851. Loans in general - Essentially the same with two new provisions. Addition of 6% limit if no interest rate is stated. Also allows participation in loans legal for the credit union to make directly.
- §852. Loan applications - Same.
- §853. Unsecured loans - Limit changed from \$200 or 2½% of unimpaired capital up to \$2,500 to \$500 or 2½% of share capital and surplus up to \$5,000, whichever is greater in either case. (Committee #27)
- §854. Secured loans - Limit changed from \$200 or 10% of share capital to \$1,000 or 5% of share capital and surplus, whichever is greater in either case. Share loans not subject to limitations in either case.
- §855. Real estate mortgage loans - Limitation on loans to one member now subject to section 854 while existing law limit was 10% of share capital up to \$30,000. The total amount a credit union may invest in real estate mortgages is increased from 25% of share capital to 35% of share capital and surplus.

- §856. Loans to other credit unions - Same.
- §857. Lines of credit - New section. Existing law silent.
- §858. Federal funds loans or sales - New section. Existing law silent.

CHAPTER 86 INVESTMENTS

- §861. Investments in general - Rewording of existing law.
- §862. Deposits, notes and bonds - Essentially the same. Adds accounts in other credit unions insured by National Credit Union Administration and prohibits purchases of stock of any corporation.
- §863. Real estate for office facilities - Limitation on investment in fixed assets reduced from 75% to 50% of total surplus funds. Superintendent may allow larger amount upon application.
- §864. Service corporations - Investment limitation changed from 10% of assets to 10% of share capital and surplus. Superintendent may allow larger amount. Investment is subject to section 445.
- §865. Additional authority - Same.

CHAPTER 87 DISSOLUTION, MERGERS AND CONVERSIONS

- §871. Dissolution - Same.
- §872. Mergers - Essentially a new section, which parallels merger provisions of Chapter 35.
- §873. Conversion: Federal to State charter - New law which parallels the conversion provisions of Chapter 34.
- §874. Conversion: State to federal charter - New section. No specific provision for this in existing law.
- §875. Conversion: change in type of State charter - New section. Allows credit union to convert to savings bank, trust company or savings and loan association as a mutual institution.

CHAPTER 88 PROHIBITIONS

§881. Prohibited practices - New section. Makes credit unions subject to prohibitions of Chapter 46, except it does allow superintendent to permit an officer or director of one credit union to hold office in another credit union.

§882. Use of name "credit union" - Same.

PART 9 INDUSTRIAL BANKS

CHAPTER 91 INDUSTRIAL BANKS

- § 911. Definition - Industrial bank for the purpose of this Title is a corporation that was on or before June 1, 1967 making loans and accepting time deposits (so-called certificates of investment). At present there is only one remaining industrial bank in the State that accepts deposits and is therefore subject to this Chapter. By the end of 1975, even that institution is expected to cease operations as an industrial bank.
- § 912. Capital and Management - No change.
- § 913. Powers - Minor editorial changes only.
- § 914. Issuance of certificates of investment - New section. Every industrial bank subject to this Chapter must obtain deposit insurance pursuant to the provisions of Section 422.
- § 915. Mergers, consolidations and acquisitions - Essentially new section which is designed to facilitate acquisition of industrial banks by other financial institutions.
- § 916. Liquidation and conservation of assets - Makes industrial banks subject to provisions of Chapter 36.
- § 917. Superintendent's authority - Subsection on interest rate ceilings new. Provision was incorporated in proposed statute in order to avoid the possibility that industrial banks in Maine would be acquired by out-of-state holding companies and possibly others as a means to raise funds in the State free of interest rate ceilings for use outside the State.
- § 918. Unlawful acts - Minor editorial changes only.
- § 919. Use of name "industrial bank" - No change.

PART 10 OTHER FINANCIAL ENTITIES

CHAPTER 101 FINANCIAL INSTITUTION HOLDING COMPANIES

(Committee #1, 2, and 3)

- §1011 Definitions - Briefly a financial institution holding company (FIHC) is a company that controls one or more financial institutions. Control is defined as ownership of 25% or more of the voting shares of a financial institution. Once an organization becomes a FIHC, it must have superintendent's approval to acquire 5% or more of the voting shares of another financial institution or of a company engaged in permissible "closely-related" activities. A Maine FIHC is a company which controls a Maine financial institution and conducts its business principally in Maine. A non-Maine FIHC conducts its business principally outside of State.
- §1012 Registration - Maine FIHC's must register with bank superintendent. Parallels Federal requirements for registration with Federal Reserve System.
- §1013 Acquisition of interests in financial institutions - A Maine FIHC must have superintendent's approval to acquire 5% or more of voting shares of another financial institution in Maine or outside of Maine. A FIHC that controls one or more financial institutions outside of State may acquire Maine financial institution, provided Maine FIHC's can acquire financial institution in that State.
- §1014. Closely-related activities - Gives superintendent power to establish legal "laundry list" of permissible activities. Essentially power amounts to determination of which activities on Federal Reserve System's list should be permissible for Maine FIHC's. Section provides that outside FIHC seeking to acquire Maine financial institutions must terminate those closely-related activities which it may be engaged in Maine that are not permissible for Maine FIHC's, unless exemption or variance is obtained from superintendent.

- §1015 Applications - Section sets forth types of applications required, the requirements and criteria for approval, and the required application fee.
- §1016 Reports and examinations - Requires that FIHC's furnish superintendent with reports needed for proper supervision of such companies. Permits superintendent to accept federal forms and reports.
- §1017 Conformity with Federal procedures - Stipulates that superintendent should use federal forms and reports for administering the provisions of this Chapter.
- §1018 Exclusions from chapter - Gives superintendent power to exclude companies that acquire control of financial institutions in a fiduciary capacity or in securing or collecting a debt. Section parallels a similar Federal provision.
- §1019 Prohibitions - Makes FIHC's subject to Chapter 24, Anticompetitive or Deceptive Practices, and Chapter 46, Prohibitions.

CHAPTER 102 MUTUAL TRUST INVESTMENT COMPANIES

Identical to existing law except for minor editorial changes.

Section 2 of L.D. 1134 enacts a new subchapter VI in Chapter 13 of Title 32 pertaining to Negotiable Checks and Money Orders. The new subchapter is presently contained in Section 225 of Title 9. Since the licensing of persons seeking to engage in the business of selling, issuing, or registering checks or money orders does not fit in Title 9-B, it is being moved for administrative purposes to 32 MRSA, Chapter 13, Security Dealers. This chapter is also under the authority of the Bank Superintendent.

Section 3 of L.D. 1134 is repealer of relevant parts of Title 9.

Section 4 of L.D. 1134 is standard transition provision for providing continuance of existing regulations.