

SENATE No. 66

To accompany the petition of the Savings Banks Association of Massachusetts, by Robert F. Nutting, president, for legislation relative to the investment of deposits and the income derived therefrom of savings banks in first mortgages of real estate. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Forty-Nine.

AN ACT PERTAINING TO THE INVESTMENTS OF DEPOSITS AND THE INCOME DERIVED THEREFROM OF SAVINGS BANKS IN FIRST MORTGAGES OF REAL ESTATE.

*Be it enacted by the Senate and House of Representatives
in General Court assembled, and by the authority of the
same, as follows:*

1 Clause first of section 54 of chapter 168 of the
2 General Laws, as most recently amended by chap-
3 ters 98 and 254 of the acts of 1947, is hereby further
4 amended by striking out said clause first and sub-
5 stituting in place thereof the following clause first:—
6 First. In first mortgages of real estate located
7 in the commonwealth, or in a state contiguous to
8 the commonwealth and within a radius of twenty-
9 five miles of the main office of the savings bank
10 making the loan, but not more than seventy per
11 cent of the whole amount of deposits shall be so
12 invested and not more than twenty per cent of the
13 whole amount of deposits shall be invested in mort-

14 gages in states contiguous to the commonwealth.
15 No loan on mortgage shall be made except upon
16 written application showing the date, name of
17 applicant, amount asked for and security offered,
18 nor except upon the report of not less than two
19 members of the board of investment who shall
20 certify on said application, according to their best
21 judgment, the value of premises to be mortgaged;
22 and such application shall be filed and preserved
23 with the records of the corporation. Any loan
24 secured by a first mortgage of real estate located as
25 hereinbefore provided, shall be made in accordance
26 with the provisions and subject to the limitations
27 of one of the following subdivisions, (a) to (g)
28 inclusive:—

29 (a) Not exceeding sixty per cent of the value
30 of the premises to be mortgaged on demand or for a
31 period not extending beyond three years from the
32 date of the note.

33 (b) Not exceeding forty per cent of the value of
34 unimproved and unproductive real estate on demand
35 or for a period not extending beyond three years
36 from the date of the note.

37 (c) Not exceeding sixty per cent of the value
38 of the premises to be mortgaged for a period of not
39 less than three nor more than twenty years from
40 the date of the note; provided, that the terms of
41 such note shall require payments on the loan to
42 be made in periodic installments, at intervals not
43 exceeding three months, and shall be in amounts
44 aggregating annually not less than two per cent
45 of the original amount of the loan.

46 (d) Not exceeding seventy per cent of the value
47 of the premises to be mortgaged for a period of not

48 less than five nor more than twenty years from the
49 date of the note; provided, that the terms of the
50 note shall require payments on the loan to be made
51 in periodic installments, at intervals not exceeding
52 three months, and shall be in amounts aggregating
53 annually not less than three per cent of the original
54 amount of the loan. No loan under this subsection
55 shall be made for a sum in excess of fifty thousand
56 dollars.

57 (e) Not exceeding seventy-five per cent of the
58 value of the premises to be mortgaged for a period
59 of not less than five nor more than twenty years
60 from the date of the note; provided, that the terms
61 of the note shall require payments on the loan to
62 be made in periodic installments, at intervals not
63 exceeding three months, and shall be in amounts
64 aggregating annually not less than three per cent
65 of the original amount of the loan. Any mortgage
66 taken under this subsection shall contain a provision
67 requiring payment, at least quarterly, of a propor-
68 tionate part of the estimated real estate taxes and
69 betterment assessments. No loan under this sub-
70 section shall be made for a sum in excess of sixteen
71 thousand dollars.

72 (f) Not exceeding eighty per cent of the value
73 of the premises to be mortgaged, may be made for
74 a period of not more than twenty years from the
75 date of the note; provided, that the terms of the
76 note shall require fixed monthly payments, in the
77 same amount during the term of the loan, except
78 that the fixed monthly payments for the first five
79 years or any part thereof may be required for a
80 larger amount than for the remaining term, which
81 payments shall be first applied to interest and the

82 balance thereafter remaining applied to principal.
83 Interest upon each loan shall be computed monthly
84 on the unpaid balance thereof. Any mortgage
85 taken under this subdivision shall contain a provi-
86 sion requiring the payment each month of a pro-
87 portionate part of the estimated real estate taxes
88 and betterment assessments. No loan under this
89 subdivision shall be made for a sum in excess of
90 twelve thousand dollars. Other provisions applicable
91 to loans under this subdivision (*f*) are as follows:—

92 (1) Such corporation may accept principal pay-
93 ments in excess of payments required under any
94 mortgage written under this subdivision, in which
95 event the board of investment may reduce the
96 monthly payments as set forth in said mortgage;
97 provided, that such reduced payments shall not
98 extend the original term of the mortgage, except as
99 authorized by the following paragraph.

100 (2) With the approval of the board of investment
101 of such corporation, at the request of the owner
102 of the equity of redemption and upon a certification
103 by said board that the then balance of the amount
104 due does not exceed eighty per cent of the value
105 of the mortgaged premises, the amount of the fixed
106 monthly payments called for by any such note and
107 mortgage may be changed; provided, that no such
108 change shall result in the extension of the term of
109 such loan beyond twenty years from the date of
110 such change; and provided, further, that such
111 change shall be evidenced by an instrument setting
112 forth such change, payments and mortgage extension.

113 (3) With the approval of the board of investment
114 of such corporation, at the request of the owner
115 of the equity of redemption and upon certification

116 by said board that the then balance of the amount
117 due does not exceed sixty per cent of the value of
118 the mortgaged premises, so much of the monthly
119 payments as would otherwise be credited to principal
120 may be reduced or waived for such period of time
121 as said board may approve, provided, that such
122 change shall be evidenced by an instrument setting
123 forth such change, payments, and mortgage exten-
124 sion; and provided, further, that not later than
125 three years after the date of such change not less
126 than two members of said board shall certify in
127 writing, according to their best judgment, the value
128 of the premises mortgaged; and the premises shall
129 be revalued in the same manner at intervals of not
130 more than three years so long as they are mortgaged
131 to such corporation. Such certificates shall be filed
132 and preserved with the records of the corporation.
133 If at the time any such revaluation is made, the
134 amount outstanding on a loan so changed is in excess
135 of sixty per cent of the value of the premises mort-
136 gaged, a reduction in the amount of the loan shall
137 be required, as promptly as may be practicable,
138 sufficient to bring its amount within sixty per cent
139 of the value of said premises.

140 (g) A loan secured by a first mortgage upon two
141 or more parcels of real estate contained within a
142 single project being developed by one owner, and
143 situated within the commonwealth, or in a state
144 contiguous thereto and within twenty-five miles of
145 the main office of the savings bank making the loan
146 may be made to finance the construction of a single
147 family dwelling and appurtenances upon each of
148 the parcels covered by the mortgage, said mortgage
149 being in an amount not to exceed seventy-five per

150 cent of the estimated completed value, as certified
151 in writing by at least two members of the board of
152 investment of the land and the structures thereon
153 securing the same, or twelve thousand dollars with
154 respect to each parcel and the structures thereon
155 covered by the mortgage, whichever amount is the
156 lesser. Each loan shall by its terms be payable in
157 not more than two years after the date of the note
158 evidencing the same.

159 Not later than thirty days after such loan becomes
160 payable, at least two members of the board of invest-
161 ment shall certify in writing, according to their best
162 judgment, the value of the premises and the dwellings
163 erected thereon then remaining subject to the
164 mortgage; and if, at the time such valuation is
165 made, the balance of principal and interest remain-
166 ing due on said mortgage is in excess of sixty per
167 cent of the value so certified, a sufficient reduction
168 in the amount of such balance shall be required, as
169 promptly as may be practicable, to bring the said
170 balance within sixty per cent of such value and
171 until so reduced a reserve in an amount equal to
172 the required reduction shall be established and
173 maintained. The total of the balances of principal
174 and interest outstanding at any one time on loans
175 made under this subdivision shall not exceed one
176 per cent of the deposits of such corporation.

177 (h) Not later than three years from the date of a
178 note made under the provisions of subdivisions
179 (a), (b), (c), (d), (e) and (f) hereof, not less than
180 two members of the board of investment shall
181 certify in writing, according to their best judgment,
182 the value of the premises mortgaged; and ~~the~~ the
183 premises shall be revalued in the same manner at

184 intervals of not more than three years so long as
185 they are mortgaged to such corporation. Such
186 report shall be filed and preserved with the records
187 of the corporation.

188 If at the time a revaluation is made, the balance
189 of principal of a loan under subdivision (a) is in
190 excess of sixty per cent, or, the balance of principal
191 of a loan under subdivision (b) is in excess of forty
192 per cent of the value of the premises mortgaged, a
193 sufficient reduction in the amount of the loan shall
194 be required, as promptly as may be practicable, to
195 bring the loan under subdivision (a) within sixty
196 per cent or in the case of subdivision (b), within
197 forty per cent of the value of said premises.

198 (i) In the case of a construction loan under sub-
199 divisions (c), (d), (e) and (f) hereof, the required
200 payments on account of principal may commence
201 not later than six months after the date of the note.

202 Whenever the commissioner deems an excessive
203 loan has been made, or is about to be made upon
204 real estate, he may cause an appraisal of said real
205 estate to be made at the expense of the bank making
206 the loan. One appraiser shall be named by the
207 commissioner, one by the bank making the loan,
208 and a third by the two thus named. Said appraisers
209 shall determine the value of said real estate and
210 certify the same in writing to the commissioner and
211 to the bank. If it shall appear from said appraisal
212 that said loan is in excess of the amount allowed
213 by this clause, the commissioner may make such
214 order in relation thereto as he deems advisable.

