

HOUSE No. 1267

By Mr. Ferguson of Lexington, petition of the Massachusetts Co-operative Bank League for legislation to make certain changes in the laws relating to co-operative banks. Banks and Banking.

The Commonwealth of Massachusetts

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

AN ACT MAKING CERTAIN CHANGES IN THE LAWS RELATING TO CO-OPERATIVE BANKS.

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

1 SECTION 1. Section 55 of chapter 170 of the
2 General Laws, as most recently amended by section
3 2 of chapter 61 of the acts of 1945, is hereby further
4 amended by striking out the second and last sen-
5 tences, and inserting in place thereof the following:—
6 Any such corporation may also by like vote contribute
7 such sum or sums of money as said board may de-
8 termine to be reasonable to any fund being raised by
9 a relief committee or agency approved by the com-
10 missioner of public welfare as evidenced by a writing
11 filed in his office, and formed for the purpose of raising
12 money to be used for the betterment of social and
13 economic conditions in the community where such
14 corporation is established. No such corporation
15 shall expend in the aggregate for the purposes men-

16 tioned in this section in any one fiscal year, as de-
17 termined by the commissioner, more than three
18 quarters of one per cent of its income for the next
19 preceding fiscal year, as so determined, provided, that
20 not more than one quarter of one per cent of such
21 income shall be expended for the contributions re-
22 ferred to in the second sentence of this section.

1 SECTION 2. Section 12 of chapter 170 of the
2 General Laws, as most recently amended by section 1
3 of chapter 177 of the acts of 1945, is hereby further
4 amended by adding at the end of the first paragraph
5 the following new sentence:— Certificates for ma-
6 tured shares and paid-up shares may be represented
7 by pass books in such form as the commissioner may
8 approve.

1 SECTION 3. Section 36A of chapter 170 of the
2 General Laws, as most recently amended by chapter
3 255 of the acts of 1946, is hereby further amended by
4 striking out in the second line, the word "improved",
5 — so that the first sentence will read as follows:—
6 Any such corporation may also make loans, to be
7 known as direct-reduction loans, upon real estate
8 situated in the commonwealth, the title to which is in
9 the name of the borrower and which is unencumbered
10 by any mortgage or lien other than municipal liens or
11 such mortgages as may be held by the corporation
12 making the loan.

1 SECTION 4. Said section 36A, as so amended, is
2 hereby further amended by striking out the first 2
3 sentences of the second paragraph, and inserting in
4 place thereof the following:— No such loan shall
5 have a term of more than twenty years, nor shall such

6 loan exceed eighty per cent of the value of the mort-
7 gaged property, if improved real estate, nor more than
8 fifty per cent of such value, if vacant land, as certi-
9 fied by the security committee of such corporation.
10 No such loan upon any one parcel of real estate so
11 mortgaged shall exceed twelve thousand dollars, if
12 improved real estate, nor shall exceed three thousand
13 dollars, if vacant land.

1 SECTION 5. Said section 36A, as so amended, is
2 hereby further amended by adding at the end, the
3 following new paragraph: —

4 Any such corporation may, subject to the pro-
5 visions, restrictions and limitations contained in this
6 section, also make direct-reduction loans on improved
7 real estate situated in a state contiguous to the com-
8 monwealth and within a radius of twenty-five miles of
9 the main office of such corporation.

1 SECTION 6. Section 36D of said chapter 170, as
2 most recently amended by section 2 of chapter 154 of
3 the acts of 1946, is hereby further amended by adding
4 at the end, the following new paragraph: —

5 The provisions of this section shall not apply to
6 loans on vacant land authorized by section thirty-six A.
7 In making the changes in loans referred to in the first
8 two paragraphs of this section, any interest in arrears
9 may be added to the principal balance, provided that
10 the loan as so increased shall not exceed the original
11 principal amount thereof.

1 SECTION 7. Chapter 170 of the General Laws is
2 hereby amended by inserting before section 37, as
3 appearing in section 144 of the acts of 1933, the fol-
4 lowing new section: —

5 *Section 36F.* Whenever any such corporation pro-
6 poses to make construction loans upon real estate
7 located in an area in the process of residential de-
8 velopment, in connection with which development
9 other mortgage financing agencies are to make similar
10 loans, and the security committee considers it sound
11 and expedient for such corporation to engage with
12 such other agencies in a plan of common supervision
13 calling for advances to be made in a manner different
14 from the making of advances in the case of an ordinary
15 construction loan, before entering into such a plan the
16 security committee shall first give written notice,
17 signed by each member thereof, of such proposal
18 and plan to the commissioner, together with such
19 other information as the commissioner may request,
20 and if the commissioner, within fifteen days after re-
21 ceiving such notice, advises the security committee
22 in writing of his dissatisfaction or objection to any
23 part or the whole of said plan such corporation shall
24 not become a party to nor engage in such plan.

1 SECTION 8. Section 12 of chapter 170 of the
2 General Laws, is hereby amended by striking out the
3 second paragraph, inserted by chapter 177 of the acts
4 of 1945, and inserting in place thereof the following
5 new section:—

6 *Section 12A.* With the approval of the board of
7 directors, savings shares may be issued and savings
8 share accounts maintained in connection therewith,
9 subject to the following provisions and limitations:
10 (a) Any such corporation intending to issue sav-
11 ings shares shall give at least thirty days' notice in
12 writing of such intention to the commissioner. After
13 the expiration of such thirty days said corporation may

14 issue savings shares and maintain savings share ac-
15 counts in connection therewith, subject to the limita-
16 tions of this section, unless on or before the expiration
17 of such thirty days the commissioner shall have
18 notified the corporation that in his opinion the cor-
19 poration's facilities for issuing savings shares and
20 maintaining savings share accounts are inadequate
21 or unsatisfactory. No corporation receiving such
22 notice from the commissioner shall issue savings
23 shares or maintain savings share accounts except with
24 the approval of the commissioner and subject to such
25 conditions as he may prescribe.

26 (b) A passbook in such form as shall be approved by
27 the commissioner shall be issued to the holder of a
28 savings share account and the corporation may accept
29 payments, to be held by the corporation in such ac-
30 counts, subject, however, to withdrawals therefrom
31 by the holder from time to time. Each two hundred
32 dollars of the balance due from time to time on any
33 such account shall represent one savings share.

34 (c) There shall be credited to each savings share
35 account of ten dollars or more at every regular dis-
36 tribution date, interest on such rate basis as the
37 directors may determine, not exceeding the dividend
38 rate payable upon paid-up shares, computed without
39 regard to fractions of a dollar; provided, that interest
40 shall not be credited upon amounts withdrawn be-
41 tween distribution dates, and shall be credited upon
42 amounts deposited from and after the bank day next
43 following.

44 (d) The total liability of any such corporation to
45 any one person holding a savings share account shall
46 not exceed two thousand dollars except for amounts of
47 interest added from time to time to such account;

48 and the total liability on a savings share account to
49 the holders of a joint account provided for in section
50 fifteen shall not exceed four thousand dollars except
51 for amounts of interest added from time to time to
52 such account.

53 (e) The reserve required by section forty-seven
54 shall be increased, but without segregation, by the
55 addition thereto of an amount not less than ten per
56 cent of the aggregate amount of savings share ac-
57 counts in such corporation exclusive of all such
58 accounts in any manner pledged as security for loans.

59 (f) The holders of such savings share accounts
60 shall be deemed members of the corporation, with
61 the voting rights of unmatured shareholders subject
62 to all existing qualifications and limitations in the
63 exercise of such voting rights of unmatured share-
64 holders.

65 (g) In the event of dissolution or winding up of
66 such corporation, by process of law or otherwise, any
67 holder of such an account shall not thereby be en-
68 titled to any preference over any shareholder, but
69 such account shall be held and treated in the same
70 general class of liability as unmatured shares.

71 (h) For all the purposes of section forty-seven, and
72 of chapter forty-five of the acts of nineteen hundred
73 and thirty-two, as amended, and of chapter seventy-
74 three of the acts of nineteen hundred and thirty-four,
75 as amended, the liability of any such corporation
76 upon such savings share accounts shall be deemed to
77 be and treated as share liability, and, except as
78 otherwise provided in this section, all benefits and
79 privileges as well as all burdens, restrictions and
80 qualifications contained in this chapter applicable to
81 shares and shareholders shall equally and in like

82 manner be deemed and treated as applicable to such
83 savings shares, savings share accounts and the hold-
84 ers thereof respectively.

1 SECTION 9. Section 13 of chapter 170 of the
2 General Laws, as most recently amended by chapter
3 144 of the acts of 1933, is hereby further amended by
4 adding at the end the following new sentence:—
5 The provisions of this section shall not apply to
6 savings share accounts, referred to in section twelve A.

1 SECTION 10. Section 16 of chapter 170 of the
2 General Laws, as most recently amended by chapter
3 244 of the acts of 1938, is hereby further amended by
4 striking out the first paragraph and inserting in place
5 thereof, the following:—

6 Except as otherwise provided in this section and
7 except for amounts of interest added from time to
8 time to savings share accounts referred to in section
9 twelve A, no person shall hold more than forty un-
10 maturated, ten maturated, ten paid-up and ten savings
11 shares in any one bank at the same time, and the
12 number of shares which may be held at the same time
13 in any joint account provided for in section fifteen
14 shall not exceed eighty unmaturated, twenty maturated,
15 twenty paid-up and twenty savings shares. Either
16 party to such a joint account may also hold shares in
17 his individual name, but the total amount of such
18 shares held by him, both joint and individually, in
19 such corporation at the same time shall not, except
20 for amounts of interest added from time to time to
21 savings share accounts, exceed eighty unmaturated
22 shares, twenty maturated shares, twenty paid-up
23 shares and twenty savings shares. Shares issued to

24 and held by more than one fiduciary in the same
25 estate shall not be considered as a joint account under
26 this chapter. Any person, however, who has received
27 shares in a co-operative bank by inheritance or devise
28 under a will, or by execution of a power of attorney
29 contained in any mortgage by the foreclosure thereof,
30 may continue to hold such shares notwithstanding
31 that the total number of his shares thereby becomes
32 greater than the limits provided in this section.