

SENATE No. 491

The Commonwealth of Massachusetts

SENATE, April 28, 1931.

The committee on Bills in the Third Reading, to which was referred the Senate Bill relative to loans of co-operative banks (Senate, No. 437), reports recommending that the same be amended by substituting therefor a new draft with the same title (Senate, No. 491), and that, when so amended, the same will be correctly drawn.

For the committee,

NEWLAND H. HOLMES.

The Commonwealth of Massachusetts

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

An Act relative to Loans of 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 twenty-five of chapter one
2 hundred and seventy of the General Laws is hereby
3 amended by striking out all after the word "loan",
4 in the eighth line, — so as to read as follows: — *Sec-*
5 *tion 25.* No loan shall be made upon real estate unless
6 a written application is made therefor, showing the
7 date, name of applicant, amount of loan desired,
8 description of property offered and other information
9 deemed necessary. A written report thereon shall be
10 made by at least two members of the security com-
11 mittee, signed by them, approving the security offered
12 and certifying to the value of the property according
13 to their best judgment. The application and report
14 shall be filed and preserved with all other papers
15 relating to the loan.

1 SECTION 2. Said chapter one hundred and seventy
2 is hereby amended by striking out section twenty-six
3 and inserting in place thereof the following: —
4 *Section 26.* For every loan made upon real estate
5 a note shall be given, accompanied by a transfer and
6 pledge of the requisite number of shares standing in

7 the name of the borrower, and secured by a mortgage
8 of real estate situated in the commonwealth, the title
9 to which is in the name of the borrower and which is
10 unencumbered by any mortgage or lien other than
11 municipal liens or such as may be held by the corpora-
12 tion making the loan. No loan upon one parcel of
13 real estate shall exceed eight thousand dollars and no
14 loan shall exceed eighty per cent of the value of the
15 mortgaged property, if improved real estate, nor more
16 than fifty per cent of such value, if vacant land, as
17 certified by the security committee. The shares so
18 pledged shall be held by the corporation as collateral
19 security for the performance of the conditions of the
20 note and mortgage. The note and mortgage shall re-
21 cite the number of shares and the series to which the
22 shares belong and the amount of money advanced
23 thereon, and shall be conditioned upon the payment
24 at or before the stated meetings of the corporation of
25 the monthly dues on said shares, and the interest and
26 premium, if any, upon the loan, with all fines on pay-
27 ments in arrears, until said shares reach their matured
28 value or until said loan is otherwise cancelled and
29 discharged. If the borrower fails to offer security
30 satisfactory to the directors within the time prescribed
31 by the by-laws, his right to the loan shall be forfeited
32 and he may be charged with one month's interest and
33 one month's premium, if any, at the determined rate,
34 and with such part of the expenses incurred as may be
35 determined by the board of directors; and the money
36 appropriated for such loan may subsequently be
37 relaned.

38 Whenever the full value of shares pledged to secure
39 any loan on improved real estate made and secured
40 as aforesaid, after deducting all fines and other

41 charges legally incurred respecting said shares, shall
42 equal or exceed twenty-five per cent of the original
43 amount of the note evidencing such loan, but not
44 earlier than four years after the date of said note, such
45 loan may, at the option of the owner of such shares and
46 with the approval of the directors, be converted into
47 a demand or time loan bearing interest at a deter-
48 mined rate payable monthly or quarterly, and evi-
49 denced by a new note secured by a first mortgage in
50 common form upon said real estate; provided, that
51 upon application of the shareholder for such conver-
52 sion, a report approving the security for such con-
53 verted loan and a certification of the value of the real
54 estate securing the same shall be made in the manner
55 provided by section twenty-five for original co-opera-
56 tive bank loans and that said loan when so converted
57 will not exceed sixty per cent of the value of the real
58 estate securing the same, as certified as aforesaid, and
59 said shareholder shall subscribe for such number of
60 shares in the current series and, until the discharge of
61 such converted loan, shall hold such number of shares,
62 as the treasurer may determine.

63 In the event of the conversion as aforesaid of a
64 co-operative bank mortgage into a common form mort-
65 gage, the value of the shares pledged to secure the co-
66 operative bank mortgage, after deducting all fines and
67 any other charges legally incurred and such sum as
68 will leave the unpaid balance a multiple of fifty dol-
69 lars, shall be credited to the owner thereof, the co-
70 operative bank mortgage discharged and the shares
71 pledged to secure the same surrendered and cancelled.

72 No loan or mortgage shall so be converted as to
73 render the total amount of such converted loans held
74 by such corporation in excess of fifteen per cent of

75 the aggregate amount of loans secured by mortgage
76 of real estate held by such corporation. Every parcel
77 of real estate mortgaged to secure a converted loan
78 shall be revalued at intervals of not more than three
79 years so long as it is so mortgaged, by at least two
80 members of the security committee of the corporation,
81 who shall certify in writing according to their best
82 judgment the value of the real estate so mortgaged.
83 Such reports shall be filed and preserved with the
84 records of the corporation. If, at the time of any
85 such revaluation, the amount outstanding on such a
86 converted loan is in excess of sixty per cent of the
87 value of the real estate mortgaged to secure the same,
88 a reduction in the amount of such loan shall be required,
89 as promptly as may be practicable, sufficient to bring
90 its amount within sixty per cent of the said value;
91 provided, that no such reduction shall be required
92 prior to the maturity of the loan.

1 SECTION 3. This act shall take effect on November
2 first of the current year.



