

HOUSE No. 496

Taken from the files of last year, on motion of Mr. Coolidge of Medford. Military Affairs. January 14.

The Commonwealth of Massachusetts.

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

AN ACT

To authorize Savings Banks and Savings Departments of Trust Companies to invest in Bonds secured by First Mortgages on Real Estate in this Commonwealth.

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. Subject to the provisions of the following
2 sections, it shall be lawful for savings banks and savings
3 departments of trust companies in this commonwealth to
4 invest their deposits and the income derived therefrom
5 in bonds of individuals, corporations, associations or
6 trustees secured by first mortgages on improved real
7 estate situated in this commonwealth: *provided*, that the
8 indebtedness secured by such mortgages does not exceed
9 sixty per cent of the total value of the real estate.

1 SECTION 2. Upon application by the individuals, cor-
2 porations, associations or trustees desiring to issue such
3 bonds, the total value of the real estate shall be deter-
4 mined by three appraisers appointed by the commissioner
5 of banks, hereinafter called the commissioner, one of
6 whom shall be the president, treasurer or member of the
7 board of investment of a Massachusetts savings bank in
8 the city or town in which the property is situated, or in
9 the nearest city or town in which a savings bank is
10 situated, and not more than two of whom shall be resi-
11 dents of the city or town in which the property is situ-
12 ated. The report of the appraisers shall be sworn to by
13 all three appraisers, shall state separately the value of
14 the land and of the buildings thereon, and shall state
15 both the market value and the rental value of the mort-
16 gaged property. The report of the appraisers, including
17 therein all information upon which the appraisal is based,
18 shall be filed with the commissioner, and thereupon he
19 may issue a certificate of the total value as found by
20 the appraisers of the real estate to be mortgaged. The
21 cost of the appraisal shall be paid by the applicants, and
22 one hundred dollars shall be deposited with the com-
23 missioner with each application, and shall be applied to
24 said cost. Nothing herein contained shall be construed
25 as making said appraisal conclusive either upon the
26 commissioner or upon or in favor of any other party,
27 nor shall such appraisal relieve the officers or investment
28 committee of any savings bank or trust company from
29 determining for themselves the market value and rental
30 value of the mortgaged property; but such officers or
31 investment committee, in determining such market value
32 and rental value, may, if acting in good faith, rely on the
33 facts set out in said appraisal and accompanying state-
34 ment.

1 SECTION 3. It shall be unlawful for savings banks or
2 savings departments of trust companies to invest in said
3 bonds unless the commissioner certifies that the appraised
4 value of the real estate given as security for the first
5 mortgage exceeds two hundred thousand dollars and
6 that at least twenty-five per cent of said value is repre-
7 sented by the land.

1 SECTION 4. The first mortgage given as security for
2 said bonds shall run to an individual or individuals ap-
3 proved by the commissioner, or to a trust company duly
4 incorporated under the laws of the commonwealth, or to
5 a national bank with its regular place of business in
6 the commonwealth of Massachusetts, as trustee: *provided,*
7 *however,* that the capital and surplus of the bank acting
8 as trustee shall not be less than the mortgage. The ap-
9 plicants shall file with the commissioner a copy of the
10 mortgage to the trustee, and said mortgage shall contain
11 therein the particulars of the bond issue, including the
12 amount of the loan, a description of the property given
13 as security, the terms of years for which the bonds are
14 issued, the rate of interest and the denominations in
15 which issued. Said applicants shall also file with the
16 commissioner a legal opinion as to the title of the real
17 property given as security and a certificate giving the
18 name and address of the agent for the payment of prin-
19 cipal and interest of the bonds. The report of the ap-
20 praisers, the copy of the trust mortgage, the legal opinion
21 as to title and the certificate shall be a matter of public
22 record in the office of the commissioner. The trust
23 mortgage shall require that the property given as secur-
24 ity be insured to its full insurable value. The trustee
25 shall have full authority on behalf of the bondholders to
26 enforce the conditions of the mortgage. In case of the

27 failure of the trustee to enforce such conditions, the
28 commissioner, upon the written application of any
29 bondholder, may bring proceedings to enforce the con-
30 ditions of the mortgage in the name of the trustee.

1 SECTION 5. All bonds issued under the provisions of
2 this act shall be issued upon a serial plan, and no bonds
3 shall be issued for a longer period than twenty years.
4 At least one per cent of the aggregate principal amount
5 of a bond issue shall be paid annually, except the first
6 year, up to and including the fifth year; at least two
7 per cent shall be paid annually from the sixth year to
8 the tenth year inclusive; at least three per cent shall be
9 paid annually from the eleventh year to the nineteenth
10 year inclusive, and the remainder shall be paid in the
11 twentieth year, or in the final year where an issue is
12 made for a shorter period than twenty years.

1 SECTION 6. So much of said deposits as is invested
2 in said bonds shall be exempt from taxation under the
3 provisions of section twenty-one of part three of chapter
4 four hundred and ninety of the acts of the year nineteen
5 hundred and nine and acts in amendment thereof and
6 addition thereto. Not more than one fifth of the total
7 amount of deposits of a savings bank, or of the savings
8 department of a trust company, shall so be invested.
9 All provisions of existing law relative to investments of
10 said deposits, not inconsistent herewith, shall apply to
11 the investment in said bonds.