

HOUSE No. 1746

By Mr. Edward J. Kelley of Worcester, petition of Charles F. Hurley, Treasurer and Receiver-General, for establishment of a home security corporation to be administered by the Commonwealth and defining its powers and duties. State Administration.

The Commonwealth of Massachusetts

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

An Act creating the Home Security Corporation of Massachusetts and defining its Powers and Duties.

1 *Whereas*, The deferred operation of this act would
2 tend to defeat its purpose, therefore it is hereby de-
3 clared to be an emergency law, necessary for the im-
4 mediate preservation of the public convenience.

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. In this chapter unless the context
2 otherwise requires, the following words shall have
3 the following meanings:—

4 The term "Corporation" means the corporation
5 set up and established under section two of this
6 chapter.

7 The term "Board" means the board of directors of
8 the corporation appointed in accordance with the
9 terms of section three of this chapter.

10 The term "Participant" means any institution
11 eligible within the meaning of section two of this

12 chapter and which has entered into an agreement
13 with the corporation under section seven of this
14 chapter.

15 The term "Home Mortgage Loan" means a loan
16 made by a participant or by the corporation upon the
17 security of a home mortgage.

18 The term "Home Mortgage" means a mortgage
19 upon real estate in fee simple upon which there is
20 located a dwelling for not more than four families
21 and having an appraised valuation of not more than
22 twenty-five thousand dollars and in which the mort-
23 gator, or the owner in possession of the mortgaged
24 premises, or any one claiming under said mortgagor,
25 or any one liable for the mortgage debt is resident.

26 The term "Home Construction Mortgage" means
27 a mortgage upon real estate in fee simple securing a
28 building or construction loan made to erect a build-
29 ing for dwelling purposes to be occupied by not more
30 than four families and having an appraised valuation,
31 together with the land upon which it is erected, of
32 not more than twenty-five thousand dollars.

1 SECTION 2. There shall be a corporation organ-
2 ized under this chapter known as the Home Security
3 Corporation of Massachusetts and having such
4 powers, duties and capital stock as is hereinafter set
5 forth, and such powers as are conferred generally on
6 corporations organized under the laws of the com-
7 monwealth, except in so far as such are inconsistent
8 with the provisions of the within statute.

1 SECTION 3. The affairs of the corporation shall
2 be directed by a board, the membership of which
3 shall be constituted as follows:— the commissioner

4 of banks, the commissioner of insurance, the state
5 treasurer, ex-officiis, and four citizens of the com-
6 monwealth to be appointed by the governor with the
7 advice and consent of the council, who shall be desig-
8 nated in the initial appointments, to serve respec-
9 tively, for one, two, three and four years. The gov-
10 ernor may, with like advice and consent, from time
11 to time designate one of the members as chairman
12 and may remove any appointive member, and shall
13 fill any vacancy in the appointive membership of the
14 board for the unexpired term. Upon the expiration
15 of the term of an appointive member a successor shall
16 be appointed in the manner aforesaid for three years.
17 If the bank commissioner, the insurance commis-
18 sioner or the state treasurer is unable by reason of
19 absence or disability to perform his duties as such
20 member said bank commissioner, commissioner of
21 insurance or state treasurer, may, by a writing filed
22 with the board, designate an officer or employee in
23 his department who shall, without additional com-
24 pensation therefor, perform such duties during such
25 absence or disability. The action of a majority of the
26 members shall constitute action of the board, and
27 whenever any action of the board is required to be
28 in writing, such writing shall be sufficient when signed
29 by a majority of the members. A vacancy in the
30 board shall not impair its powers nor affect its duties.

1 SECTION 4. The chairman shall receive an annual
2 salary of nine thousand dollars and each other ap-
3 pointive member shall receive an annual salary of
4 eight thousand five hundred dollars. The bank com-
5 missioner, the commissioner of insurance and the
6 state treasurer shall receive from the commonwealth

7 as compensation the sum of thirty dollars per day
8 for each day's attendance at board meetings; pro-
9 vided that the total amount paid by such member
10 for compensation as aforesaid, when added to the
11 salary which he receives from the commonwealth in
12 his respective official capacity, will not in any one
13 year exceed the annual salary paid to an appointive
14 member other than the chairman.

1 SECTION 5. The principal office of the board shall
2 be in Boston. The corporation is authorized to pro-
3 cure such quarters and to occupy such premises
4 outside of the state house or other buildings owned
5 by the commonwealth, and to purchase or lease the
6 same as the board in its discretion may deem neces-
7 sary or convenient for the carrying on of its business,
8 provided only that such purchases or lease shall not
9 be valid until or unless approved by the state super-
10 intendent of buildings and the governor and council.

1 SECTION 6. Any savings bank, co-operative bank,
2 credit union, trust company, or other bank organized
3 under the laws of the commonwealth, or any foreign
4 banking corporation or association doing business in
5 the commonwealth under chapter one hundred and
6 sixty-seven of the General Laws and having the
7 power to invest in first mortgages on real estate or
8 any life insurance company, fire insurance company,
9 fidelity insurance and corporate suretyship company,
10 accident and health insurance company, liability in-
11 surance company, or marine insurance company,
12 mutual or stock organization under the laws of this
13 commonwealth or doing business in the common-
14 wealth under chapter one hundred and seventy-five

15 of the General Laws, or any fraternal benefit society
16 organized under the laws of the commonwealth or
17 doing business in the commonwealth under chapter
18 one hundred and seventy-five of the General Laws or
19 any other corporation organized under the laws of
20 the commonwealth, or carrying on the business of
21 investing in first mortgages within the common-
22 wealth may become a participant within the mean-
23 ing of this chapter provided it enters upon an agree-
24 ment with the corporation as set forth in the following
25 section.

1 SECTION 7. Any participant may be admitted to
2 or enjoy the privileges of this chapter; provided,
3 that it enters into and performs an agreement or
4 contract with the corporation upon such terms and
5 conditions as the board may deem necessary to carry
6 out the purposes and provisions of this chapter;
7 provided, however, that such agreement shall contain
8 the following provisions: —

9 First. The participant shall agree that when appli-
10 cation is made for a loan to be secured by a home
11 mortgage as defined in section one of this chapter by
12 the owner of an unencumbered fee simple, upon
13 which there is located a dwelling for not more than
14 four families and having an appraised valuation of
15 not more than twenty-five thousand dollars and in
16 which said owner is a resident, or a mortgagor or
17 owner in possession of mortgaged premises, or any
18 one claiming under such mortgagor or any one liable
19 for the mortgage debt and resident in a dwelling as
20 aforesaid upon which there is a matured mortgage or a
21 mortgage in default, it will loan money secured by a
22 first mortgage on said real estate up to eighty-five per

23 centum of the appraised valuation of the property as
24 of the date the mortgage is executed, but in an amount
25 not to exceed twenty-one thousand two hundred and
26 fifty dollars.

27 Second. The participant shall agree that the mort-
28 gage note secured by such a mortgage shall have a
29 maturity of not more than twenty-one years and not
30 less than fifteen years, unless the applicant requests
31 in writing that the note have a shorter term.

32 Third. The participant shall agree that the mort-
33 gage note secured by such a mortgage shall contain
34 complete amortization provisions satisfactory to the
35 board requiring principal payments of the mortgagor
36 not in excess of his reasonable ability to pay.

37 Fourth. The participant shall agree that the note
38 secured by such a mortgage shall bear interest not in
39 excess of five per centum per annum on the amount
40 of the principal obligation outstanding at any time.

41 Fifth. The participant shall agree that such a
42 mortgage shall contain such terms and provisions
43 with respect to insurance, repairs, alterations, pay-
44 ment of taxes, delinquency charges, foreclosure pro-
45 ceedings, acceleration of the date of maturity of the
46 note which it secures, additional and secondary mort-
47 gages and other matters as the board, in its discretion,
48 by rules and regulations, may prescribe.

49 Sixth. The participant shall agree that when ap-
50 plication for a loan to be secured by a home construc-
51 tion mortgage as defined in section one of this chapter
52 shall be made, it will loan money secured by such
53 home construction mortgage under terms and condi-
54 tions similar to those upon which it shall agree to
55 make home mortgage loans under this section and
56 such other appropriate terms as the board in its
57 discretion may prescribe.

58 Seventh. The participant shall agree to pay insur-
59 ance premiums to the corporation in the amount and
60 at such times as may be determined by the board
61 under section thirty-one of this chapter.

62 Eighth. The participant shall agree that the board
63 or officers of the corporation, either personally or by
64 their examiners or such other of their assistants as
65 they may designate, shall, at least once in each year
66 make an examination of the affairs of the participant,
67 ascertaining its conditions, its ability to fulfill its
68 obligations and also whether it has complied with the
69 law; and that they may also, whenever they consider
70 it expedient make, at the expense of the participant
71 such further examination as they deem advisable.

1 SECTION 8. The superior court shall have jurisdic-
2 tion in equity to enforce compliance with agreements
3 or contracts made under section seven of this chapter.
4 The supreme judicial court shall have jurisdiction in
5 equity to review, modify, or annul any rule or regula-
6 tion of the board made under authority of this chapter,
7 but only to the extent of the unlawfulness of said
8 rule or regulation.

1 SECTION 9. The corporation may, in its corporate
2 name, sue and be sued, appear, prosecute and defend
3 to final judgment or decree and execution; have a
4 corporate seal which it may alter at pleasure; elect
5 in such manner as the board may determine all neces-
6 sary officers; fix their compensation and define their
7 duties and obligations; and make for its own govern-
8 ment, the due and orderly conduct of its affairs and
9 the management of its property, by-laws and regu-
10 lations consistent with law, and do all things neces-

11 sary for the carrying out of the provisions of this
12 chapter and all things incident thereto.

1 SECTION 10. The corporation is empowered and
2 authorized to loan money to participants as herein-
3 after defined upon the security of home mortgages
4 subject to such regulations, restrictions and limita-
5 tions as the board may prescribe and as hereinafter
6 follow, provided, however, that any loan shall be
7 secured by a mortgage insured either under the pro-
8 visions of Title Two of the National Housing Act or
9 under the provisions of section twenty-four of this
10 chapter and shall be for an amount not in excess of
11 ninety per centum of the unpaid principal of the
12 mortgage loan; and provided further that in no case
13 shall the amount of such loan exceed sixty-five per
14 centum of the value of the real estate securing the
15 home mortgage loan. No home mortgage, however,
16 shall be accepted as collateral security for a loan by
17 the corporation if at the time such loan is made —
18 (1) the value of the real estate with respect to which
19 the home mortgage is given, exceeds twenty-five thou-
20 sand dollars and (2) it is past due more than six
21 months when presented; unless the amount of the
22 debt by such home mortgage is less than fifty per
23 centum of the value of the real estate with respect
24 to which the home mortgage was given. For the
25 purpose of this section the value of real estate shall
26 be as of the time the loan is made and shall be estab-
27 lished by such certification by the participant or such
28 other evidence as the board may require. For the
29 purpose of this section the corporation shall have the
30 power to make or to cause, or to require to be made,
31 such appraisals and other investigations as the board
32 may deem necessary.

1 SECTION 11. Loans made under section ten shall
2 be made upon the note or obligation of a participant
3 secured as provided in said section seven bearing such
4 rate of interest as the board may approve or deter-
5 mine; but at no time shall the aggregate outstanding
6 loans made by the corporation to any participant
7 exceed ten per centum of the total value of the prop-
8 erty upon which said participant holds home mort-
9 gage loans.

1 SECTION 12. The participant applying for a loan
2 shall enter into a primary and unconditional obliga-
3 tion to pay off all loans, together with interest and
4 any unpaid costs and expenses in connection there-
5 with, according to the terms under which they were
6 made, in such form as shall meet the requirements
7 and approval of the board. The corporation shall re-
8 serve the right to require at any time, when deemed
9 necessary for its protection, deposits of additional
10 collateral security or substitutions of security by the
11 borrowing participant, and each borrowing par-
12 ticipant shall assign additional or substituted se-
13 curity when and as so required. The corporation
14 shall reserve the right to rediscount the obligation
15 or note of the borrowing participant and reassign the
16 collateral deposited by the borrowing participant to
17 the federal home loan bank or other loaning agency,
18 with or without recourse.

1 SECTION 13. The pledging of any mortgage by a
2 participant as security for a loan shall constitute a
3 valid assignment at law, and the corporation may
4 effect its collection in the manner provided by law for
5 banks incorporated under the laws of the common-
6 wealth.

1 SECTION 14. The corporation shall have power
2 to accept deposits made by the participants as here-
3 inafter defined upon such terms and conditions as the
4 board may prescribe.

1 SECTION 15. The corporation is authorized and
2 empowered to make home mortgage loans and home
3 construction mortgage loans as defined in section
4 one of this chapter, in such amounts and under such
5 conditions as the board may determine and conform-
6 ably to the provisions hereinafter set forth, to per-
7 sons who would be eligible under the terms of an
8 agreement or contract made between the corporation
9 and a participant under the provisions of section
10 seven of this chapter. Provided, however, that the
11 corporation shall make no loan under this section
12 unless the person applying for such loan shall first
13 have applied for a loan on the terms required by an
14 agreement under section seven, and been refused by
15 a participant, if any be available, and otherwise, by
16 any other individual, corporation, association or
17 other person engaged in the business of loaning money
18 on the security of first mortgages on real estate.

1 SECTION 16. Loans made under section fifteen of
2 this chapter shall be made on the security of a home
3 mortgage or home construction mortgage as defined
4 in section one of this chapter, only to

5 (1) An owner of an unencumbered fee simple,
6 upon which there is located a dwelling for not more
7 than four families and having an appraised valuation
8 of not more than twenty-five thousand dollars and
9 in which the owner is a resident, and on the security
10 of a first mortgage on said fee.

11 (2) A mortgagor or owner in possession of the
12 mortgaged premises, or anyone claiming under such
13 mortgagor or anyone liable for the mortgage debt
14 where the mortgage is on a fee simple, upon which
15 there is located a dwelling house, for not more than
16 four families and having an appraised valuation of
17 not more than twenty-five thousand dollars and in
18 which dwelling the applicant is a resident, and which
19 mortgage is matured or in default.

20 (3) An applicant for a loan to be secured by a
21 home construction mortgage as defined in section
22 one of this chapter, who contracts to erect a building
23 for dwelling purposes to be occupied by not more
24 than four families, and having an appraised valuation
25 together with the land upon which it is erected of not
26 more than twenty-five thousand dollars.

1 SECTION 17. Loans made under section fifteen of
2 this chapter may be for any amount up to eighty-
3 five per centum of the appraised valuation of the
4 property as of the date the loan is made, or in an
5 amount not to exceed twenty-one thousand two
6 hundred and fifty dollars, whichever is the lesser.

1 SECTION 18. The mortgage note given in exchange
2 for a loan under section fifteen shall have the ma-
3 turity of not more than twenty-one years and not
4 less than fifteen years, unless the applicant requests
5 in writing that the note be for a shorter term.

1 SECTION 19. The mortgage note given in exchange
2 for a loan under section fifteen shall be amortized
3 by means of monthly payments sufficient to retire
4 the interest and principal within a period of not to

5 exceed twenty-one years, nor to be less than fifteen
6 years, unless the applicant requests a shorter term,
7 provided, however, that the amortization payments
8 may be made quarterly, semiannually, or annually
9 if, in the judgment of the board, the situation of a
10 mortgagor requires it; and provided further that
11 the corporation may at any time grant an extension
12 of time to any mortgagor for the payment of prin-
13 cipal or interest owed by him to the corporation, if,
14 in the judgment of the board, the circumstances of
15 the mortgagor and the condition of the security
16 justify such extension.

1 SECTION 20. The mortgage note given in exchange
2 for a loan under section fifteen shall bear interest
3 not in excess of five per centum per annum on the
4 amount of the principal obligation outstanding at
5 any time.

1 SECTION 21. The mortgage note and/or mort-
2 gage deed given in exchange for a loan under section
3 fifteen shall contain such terms and provisions with
4 respect to insurance, repairs, alterations, payment
5 of taxes, delinquency charges, alterations, foreclosure
6 proceedings, acceleration, additional and secondary
7 mortgages and other matters as the board, in its dis-
8 cretion, by rules and regulations may prescribe.

1 SECTION 22. The corporation may, upon appli-
2 cation of a mortgagor receiving a loan under section
3 fifteen of this chapter, increase the loan of a later
4 date in order to enable the mortgagor to rehabilitate,
5 modernize, rebuild and enlarge the property secured
6 by the mortgage held by the corporation; but in no

7 case shall the total amount of the mortgage debt
8 exceed at any time the limits fixed for initial loans
9 under section seventeen of this chapter.

1 SECTION 23. The corporation may pay the inci-
2 dental expenses of any transaction for loaning money
3 under section fifteen of this chapter, including fees
4 of appraisers, title examiners and conveyancers, and
5 include the amount expended, not exceeding seventy-
6 five dollars, in the mortgage note given by the mort-
7 gator. All agents and attorneys, including appraisers,
8 title examiners and conveyancers shall be selected by
9 the board or officers of the corporation.

1 SECTION 24. All mortgages of participants made
2 in accordance with the terms of an agreement or con-
3 tract entered into by the said participant pursuant to
4 the provisions of section seven of this chapter with
5 the corporation except those insured under Title II
6 of the National Housing Act shall be insured as here-
7 inafter provided. In any case in which the participant
8 shall have foreclosed and taken possession of the
9 property under such a mortgage, in accordance with
10 the regulations of the board and within a period to
11 be determined by said board, or with the consent of
12 said board, shall have otherwise acquired, such prop-
13 erty from the mortgagor after default, the partici-
14 pant shall be entitled, upon prompt conveyance to
15 the corporation of the title to such property, satis-
16 factory to the board and the assignment to the cor-
17 poration of all claims of the participant against the
18 mortgagor arising out of the mortgage transaction or
19 foreclosure proceedings, to receive the benefits of
20 the insurance as hereinafter provided. Upon such

21 conveyance and assignment the corporation shall
22 issue to the participant a note or notes having a total
23 face value equal to the value of the mortgage on the
24 date of the conveyance of the title to the property
25 to the corporation, and a certificate of claim as here-
26 inafter provided in section twenty-six of this chapter.
27 For the purposes of this section, the value of the
28 mortgage shall be determined by adding to the amount
29 of the principal of the mortgage which is unpaid on
30 the date of such conveyance, the amount of all pay-
31 ments which have been made by the participant for
32 taxes and insurance on the mortgaged property, in
33 accordance with the rules and regulations prescribed
34 by the board.

1 SECTION 25. The notes issued by the corporation
2 under section twenty-four to any participant shall
3 bear interest at a rate determined by the board at
4 the time the participant shall have executed an
5 agreement pursuant to the provisions of section
6 seven of this chapter, but not to exceed one per
7 centum per annum, and shall mature not later than
8 one year from the date on which the note shall have
9 been executed. All such notes shall be a liability of
10 the insurance fund, hereinafter provided for, and of
11 no other assets of the corporation.

1 SECTION 26. The certificate of claim issued by the
2 corporation to any participant shall be for an amount
3 which the board determines to be sufficient, when
4 added to the face value of the note or notes issued to
5 the participant, to equal the amount which the
6 participant would have received, if at the time of
7 conveyance to the corporation of the property cov-

8 ered by the mortgage, the mortgagor had redeemed
9 the property and paid in full all obligations under the
10 mortgage and those arising out of the foreclosure
11 proceedings. Every such certificate of claim shall
12 provide that there shall accrue to the holder of such
13 certificate with respect to the full amount of the
14 certificate, an increment at the rate of three per
15 centum per annum. The amount to which the holder
16 of any such certificate shall be entitled shall be
17 determined as provided hereafter.

1 SECTION 27. If the net amount realized from any
2 property conveyed to the corporation under section
3 twenty-four of this chapter and the claims assigned
4 therewith, after deducting all expenses incurred by
5 the corporation in handling, dealing with, and dis-
6 posing of such property and in collecting such claims,
7 exceeds the face amount of the note in exchange for
8 the mortgage covering such property plus all interest
9 paid on such notes, such excess shall be divided as
10 follows:

11 (1) If such excess is greater than the total amount
12 payable under the certificate of claim issued in con-
13 nection with such property, the board shall pay to
14 the holder of such certificate the amount so payable;
15 and any excess remaining thereafter shall be paid to
16 the mortgagor of such property.

17 (2) If such excess is equal to or less than the total
18 amount payable under such certificate of claim, the
19 board shall pay to the holder of such certificate the
20 full amount of such excess and no more, and the
21 certificate of claim shall in no other way be a claim
22 against the corporation or any other person.

1 SECTION 28. The corporation shall have the power
2 to deal with, rent, renovate, modernize, or sell for
3 cash or credit, in the discretion of the board, any
4 properties conveyed to it under section twenty-four
5 of this chapter, in exchange for a note or notes and a
6 certificate of claim; and notwithstanding any other
7 provision of law, the corporation shall have the power
8 to pursue to final collection by way of compromise or
9 otherwise, all claims against obligors on mortgage
10 notes assigned by participants to the corporation
11 under section twenty-four of this chapter.

1 SECTION 29. No participant or mortgagor shall
2 have, and no certificate of claim shall be construed
3 to give any participant or mortgagor, any right,
4 title or interest in any property conveyed to the
5 corporation or any claim assigned to it under section
6 twenty-four of this chapter; nor shall the corpora-
7 tion owe any duty to any participant or mortgagor
8 with respect to the handling or disposal of any such
9 property or the collection of any such claims.

1 SECTION 30. The corporation is hereby author-
2 ized and empowered to establish and set up a mort-
3 gage insurance fund to be used by the corporation
4 as a revolving fund for carrying out the provisions
5 of section twenty-four of this chapter and there shall
6 be allocated immediately to such fund a sum, which,
7 in the discretion of the board, it may be deemed
8 necessary or desirable for meeting the insurance
9 obligations of the corporation incurred under the
10 provisions of section twenty-four of this chapter,
11 and the corporation may, from time to time, increase
12 or decrease the fund. The fund may either be in-
13 vested in direct obligations of the United States

14 and such other securities as under the law of the
15 commonwealth the state treasurer may invest the
16 funds of the commonwealth, or may be deposited in
17 such depositories as the state treasurer under the
18 law of the commonwealth may deposit the funds of
19 the commonwealth.

1 SECTION 31. The board is authorized to fix a pre-
2 mium charge for the insurance of mortgages under
3 section twenty-four of this chapter, to be determined
4 in accordance with the risk involved and based on
5 a percentage of the net income of the participant,
6 which in no case shall be more than ten per centum
7 of the net income received by the participant from
8 all of its investments in first mortgages on homes
9 eligible for home mortgage loans as defined in sec-
10 tion one of this chapter, and which shall be payable
11 annually in advance by the participant. The pre-
12 miums received by the corporation under this sec-
13 tion shall go into the insurance fund established
14 under section thirty of this chapter.

1 SECTION 32. Money from the insurance fund
2 established under section thirty of this chapter may
3 be repaid to the participants when, in the discretion
4 of the board, the insurance fund amounts to more
5 than is required to maintain a safe reserve against
6 liabilities for loss on the outstanding mortgages held
7 by the participants, proportionately to each in the
8 ratio that the annual premium paid by such partici-
9 pant bears to the total annual premium for mort-
10 gage insurance paid by all participants to the cor-
11 poration under section thirty-one of this chapter;
12 provided, however, that no repayment shall be made

13 by the corporation from the insurance fund unless
14 the amount of such fund exceeds ten per centum of
15 the unpaid principal of the outstanding mortgages
16 held by all participants; and provided also that the
17 corporation shall at first be reimbursed on account
18 of all advances from the capital and other funds of
19 the corporation to the insurance fund, and for all
20 costs and expenses incurred in the handling of prop-
21 erty conveyed to the corporation under section
22 twenty-four of this chapter, and in the collection of
23 claims assigned to the corporation under said section
24 twenty-four, and for all other costs and expenses
25 incurred by the corporation in administering sections
26 twenty-four to thirty-two of this chapter.

1 SECTION 33. The corporation shall have a mini-
2 mum amount of capital stock in the sum of five mil-
3 lion dollars and the board is authorized to increase
4 such capital stock from time to time in such amounts
5 as may be necessary, but not to exceed in the aggre-
6 gate ten million dollars. All stock shall be sub-
7 scribed for by the state treasurer on behalf of the
8 commonwealth and payment for the subscription of
9 the minimum amount of capital stock shall be made
10 at such time or times as the state treasurer deems
11 advisable, provided that such subscription shall be
12 made to the extent at least of two million dollars for
13 the current year and one million dollars each for
14 the next three years. The corporation shall issue to
15 the treasurer receipts for payment by him for such
16 stock and such receipts shall be evidence of the
17 stock ownership of the commonwealth.

1 SECTION 34. The state treasurer, with the ap-
2 proval of the governor and council, may borrow

3 from time to time, on the credit of the common-
4 wealth, such sums as may be necessary to provide
5 funds for the purchase of said stock, but not exceed-
6 ing ten million dollars, and may issue notes or bonds
7 of the commonwealth therefor. Such notes or bonds
8 shall be issued for such maximum term of years as
9 the governor may recommend to the general court
10 in accordance with section three of article LXII of
11 the amendments to the constitution of the com-
12 monwealth and shall bear interest payable at such
13 times and at such rates as shall be fixed by the state
14 treasurer with the approval of the governor and
15 council; but such notes or bonds shall be payable
16 not later than November thirteenth, in the year
17 nineteen hundred and fifty-six. Bonds issued under
18 this section may be issued in registered or coupon
19 form and if issued in coupon form shall be signed
20 by the state treasurer and countersigned by the
21 governor and facsimiles of the signature of the gov-
22 ernor imprinted thereon shall have the same effect
23 as his written signature. Notes issued under this
24 section shall be signed by the state treasurer, ap-
25 proved by the governor and countersigned by the
26 comptroller.

1 SECTION 35. The corporation is authorized to
2 issue bonds in an aggregate amount not to exceed one
3 hundred and fifty million dollars which may be sold
4 by the corporation to obtain funds for the carrying
5 out of the purposes of this chapter or for the re-
6 demption of any of its outstanding bonds called in
7 for retirement, and the corporation is further author-
8 ized to increase its total bond issue equal to the
9 amount of the bonds so called in and retired. Such

10 bonds shall be in such form and denomination, shall
11 mature within such periods of not more than such
12 maximum term of years, as the governor may rec-
13 ommend to the general court in accordance with
14 section three of article LXII of the amendments to
15 the constitution of the commonwealth, shall bear
16 such rates of interest not exceeding four per cent
17 per annum, as shall be fixed by the state treasurer,
18 with the approval of the governor and council, shall
19 be subject to such terms and conditions, and shall
20 be issued in such manner and sold at such prices as
21 may be prescribed by the corporation with the ap-
22 proval of the state treasurer and the governor and
23 council.

1 SECTION 36. Bonds issued under section thirty-
2 five of this chapter shall be fully and unconditionally
3 guaranteed both as to interest and principal by the
4 commonwealth, and such guaranty shall be stated on
5 the face thereof, and such bonds shall be lawful in-
6 vestments, and may be accepted as security for all
7 fiduciary, trust and public funds, the investment or
8 deposit of which shall be under the authority and
9 control of the commonwealth, the several counties,
10 the cities and towns thereof or any officer or officers
11 of any of them. In the event that the corporation
12 shall be unable to pay upon demand when due the
13 principal of or interest on such bonds, the state
14 treasurer shall pay to the holder the amount thereof.
15 The state treasurer, in such event, with the approval
16 of the governor and council, may borrow from time
17 to time as occasion may demand, on the credit of the
18 commonwealth, such sums as may be necessary for
19 said payment, and may issue and renew notes of the

20 commonwealth therefor, bearing interest payable at
21 such times and at such rate as shall be fixed by the
22 state treasurer, with the approval of the governor
23 and council. Such notes shall be issued for such
24 maximum term of years as the governor may recom-
25 mend to the general court in accordance with sec-
26 tion three of article LXII of the amendments to the
27 constitution of the commonwealth. To the extent
28 that the state treasurer pays the obligations of the
29 corporation, the commonwealth shall succeed to all
30 the rights of the holders of such bonds.

1 SECTION 37. The bonds issued by the corporation
2 under section thirty-five of this chapter shall be
3 exempt, both as to principal and interest from all
4 taxation, and these bonds shall state on their face
5 that they are so tax exempt. The corporation, in-
6 cluding its capital, reserves and surplus, and its loans
7 and income, shall be exempt from such taxation now
8 or hereafter imposed by the United States, the com-
9 monwealth, any county, municipality or local taxing
10 authority; except that any real property of the cor-
11 poration that is conveyed to the corporation under
12 section twenty-four or other sections of this chapter
13 shall be subject to taxation to the same extent,
14 according to its value, as other real property is taxed.

1 SECTION 38. No bonds of the corporation shall be
2 issued in excess of the assets of the corporation, in-
3 cluding the assets to be obtained from the proceeds
4 of such bonds, but a failure to comply with this pro-
5 vision shall not invalidate the bonds. The corpora-
6 tion shall have the power to purchase in the open
7 market at any time at any price not to exceed par,

8 any of the bonds issued by it. Any such bonds so
9 purchased may be resold at any time and at any
10 price under the same conditions; provided, however,
11 that such sale or resale must be subject to the same
12 conditions under which said bonds were originally
13 issued.

1 SECTION 39. The corporation shall carry to a
2 reserve account semiannually, twenty per centum of
3 its net earnings, until said reserve account shall show
4 a credit balance equal to one hundred per centum of
5 the paid-in capital of the corporation. After said
6 reserve has reached one hundred per centum of the
7 paid-in capital of said corporation, five per cent of
8 its net earnings shall be added thereto semiannually.
9 Whenever said reserve shall have been impaired
10 below one hundred per centum of the paid-in capital
11 it shall be restored before any dividends are paid.
12 The corporation shall establish additional reserves
13 and/or make such charge-offs on account of deprecia-
14 tion or impairment of its assets as the board shall
15 require from time to time. No dividends shall be
16 paid, except out of net earnings remaining after pro-
17 vision has been made for all reserves and charge-offs
18 required under this chapter. The reserve for the
19 corporation shall be invested in direct obligations of
20 the United States and such other securities as under
21 the law of the commonwealth the state treasurer may
22 invest the funds of the commonwealth.

1 SECTION 40. The earnings of the corporation in
2 excess of what is required to establish and maintain
3 a reserve account and provide for charge-offs in ac-
4 cordance with section thirty-nine of this chapter,

5 shall be paid by the corporation into the treasury of
6 the commonwealth and said earnings shall be credited
7 on the books of the commonwealth to a fund to be
8 known as the "Home Security Fund". Said Home
9 Security Fund, subject to appropriation, shall be
10 used as follows:—

11 First. To reimburse the commonwealth for all
12 expenses and charges incurred by the commonwealth
13 in establishing and assisting the corporation, includ-
14 ing interest charges and expenses incurred in bor-
15 rowing money under section thirty-four of this
16 chapter, and compensation paid to the ex-officiis
17 members of the board.

18 Second. The balance then remaining shall be dis-
19 tributed annually on or before November twentieth
20 in each year to the cities and towns of the common-
21 wealth in such amount and such proportion of the
22 total distribution as the proportionate amount paid
23 by such city or town of the state tax bears to the total
24 of such tax as established by the last preceding col-
25 lection thereof.

1 SECTION 41. The corporation may become a
2 member of the federal home loan bank of the dis-
3 trict in which the principal office of the said corpo-
4 ration is located, and for that purpose, subscribe to
5 the stock of said federal home loan bank, discount
6 and rediscount notes held by it and borrow money
7 and otherwise exercise the right and privileges of a
8 member of the federal home loan bank, under such
9 conditions and regulations as is prescribed by said
10 federal home loan bank and the federal home loan
11 bank board. Any participant within the meaning of
12 section seven of this chapter is hereby authorized to

13 become a member of said home loan bank under the
14 same terms and conditions as the corporation.

1 SECTION 42. The corporation shall have power,
2 subject to rules and regulations prescribed by the
3 board to borrow from the Reconstruction Finance
4 Corporation and/or other federal agency or agencies,
5 and to give security for loans negotiated, pay in-
6 terest thereon and issue notes or other obligations
7 on such terms and conditions as may be required by
8 the Reconstruction Finance Corporation or other
9 federal agency or agencies.

1 SECTION 43. The superior court shall have juris-
2 diction in equity to restrain the commencement or
3 prosecution of foreclosure proceedings, upon appli-
4 cation by the mortgagor, any one claiming under said
5 mortgagor, the owner in possession of the mortgaged
6 premises or any one liable for the mortgage debt,
7 pending the final disposition of any such person's
8 application for a new mortgage from the Home
9 Owners' Loan Corporation, or a loan from the Home
10 Security Corporation of Massachusetts, provided
11 that any such restraining order shall be on terms
12 requiring the mortgagor to continue payment of
13 taxes on the mortgaged premises and interest on
14 account of the mortgage obligation, and provided
15 also that the postponement affected by the restrain-
16 ing order does not substantially diminish or impair
17 the value of the contract or obligation of the person
18 against whom the relief is sought.

1 SECTION 44. The provisions of chapter one hun-
2 dred and sixty-seven and chapter one hundred and

3 seventy-five of the General Laws, so far as they are
4 not inconsistent with the provisions of this chapter,
5 shall apply to the corporation.

1 SECTION 45. All banks and insurance companies,
2 corporations, associations and other persons organ-
3 ized under the laws of the commonwealth, or doing
4 business in the commonwealth are hereby author-
5 ized and empowered to enter into an agreement or
6 contract with the corporation enabling them to be-
7 come participants within the meaning of this chap-
8 ter, other provisions of the law to the contrary
9 notwithstanding. All provisions of any general or
10 special law of the commonwealth, enacted hitherto
11 are hereby repealed and/or amended in so far as they
12 are inconsistent with the provisions of this chapter.

