

HOUSE No. 2

The Commonwealth of Massachusetts

OFFICE OF THE COMMISSIONER OF BANKS,
150 CAUSEWAY STREET, BOSTON 14, November 1, 1961.

To the Honorable Senate and House of Representatives.

In compliance with sections 33 and 33A of chapter 30, General Laws, as amended, I have the honor to submit, herewith, recommendations for legislation accompanied by drafts of bills for your consideration.

EDWARD A. COUNIHAN, III,
Commissioner of Banks.

RECOMMENDATIONS.

CREDIT UNIONS.

1. Credit unions are authorized to invest in any of the bonds, notes or bank stocks which at the time of their purchase are legal investments for savings banks. Savings banks, however, are limited in the amount that may be invested in such securities, whereas credit unions are only limited in the amount that may be invested in bank stocks. We believe that the amount invested in such securities by credit unions should be no greater than that permitted to savings banks.

2. For some considerable period of time, credit unions have been allowing non-members to be co-makers and endorsers on notes representing unsecured loans. It seems to us that the statute clearly intends that all credit extended must be to a member. The policy has, however, become widespread and we feel that the growth of credit unions probably justifies it. In order, therefore, to legalize this type of operation, an amendment is necessary to subdivision (A) of section 24 of chapter 171 of the General Laws.

The accompanying drafts of legislation will accomplish these objectives.

SAVINGS BANKS.

3. Section 10 of chapter 168 of the General Laws defines the qualifications of trustees of savings banks, but does not limit the age after which one may not serve in this very important post. Business and government have almost unanimously adopted the principle of a mandatory retirement age of seventy for employees, officers, directors and department heads. We believe this principle should apply to trustees of savings banks as it now, in effect, applies to officers as a result of the broadened pension plan approved by the General Court two years ago.

4. The Board of Investment of a savings bank is charged with the operation of the institution. For some considerable period of time, this department has been of the opinion that the provisions of

section 12 of chapter 168 of the General Laws providing for a Board of Investment with a maximum number of three trustees to be inadequate for the proper conduct of the affairs of a savings bank because of the increasing competitive climate in the thrift and home-financing field. In our opinion not less than five trustees should constitute a Board of Investment of a savings bank.

The accompanying drafts of legislation will accomplish these objectives.

MISCELLANEOUS.

5. Savings banks and co-operative banks desiring to build disaster shelters for their employees on the banks' property are unable to do so unless the amount expended for such facilities is included in the total amount that may be invested in banking quarters. We believe these institutions should be permitted to build disaster facilities outside the limits permitted to be so invested. An amendment to section 53 of chapter 168 applicable to savings banks and a similar amendment to section 30 of chapter 170 of the General Laws governing co-operative banks would authorize the construction of such facilities.

6. Once again, the Banking Department asks your consideration as to the advisability of enacting a Usury Law. We have been urging this law since 1954 either by direct petition or by support of bills filed by the members. Conditions are not now any better than they have been in the past; as a matter of fact, it is common knowledge that loans in the field above \$1,500 are being made by so-called "loan sharks", no doubt at unconscionable rates and for which there is no penalty whatever in the law.

As stated many times before, Massachusetts is one of but four or five States in the Union which does not have a general usury statute. It is still our opinion that if the great industrial States of New York, Pennsylvania, Ohio and Illinois, which are comparable to this Commonwealth, consider it advisable to have such a law, then we certainly should no longer continue without one. I believe that the public interest requires the enactment of a Usury Law in this Commonwealth.

7. The Banking Department now supervises about 175 collection agencies scattered throughout the Commonwealth. Recent experience indicates that the amount of the bond now established at

\$5,000 may be inadequate and, for that reason, should probably be left in the discretion of the Commissioner.

In addition thereto, the maximum charge of \$25 for each collection agency license in no way compensates the Commonwealth for the time expended in the processing of the original application, renewal applications each year, the keeping of records and a myriad of other details required in the supervision of agencies of this type.

The department is also of the opinion that it should have the power to regulate in this field in order to better serve the public interest.

8. Chapter 255 regulates to some extent the sale of consumer goods on credit. Sections 12, 12A and 12B delineate the type of contract which must be executed as well as specifying the rebates to be given in the event of anticipatory repayment by the consumer. These sections do not appear to apply to the sale of services on credit, a vital area in which the consumer needs protection. Because of complaints which this department has received in this field, we are of the opinion that a new section 12D should be added to this chapter to make it more comprehensive in application.

9. Experience with the deferment charge provisions of chapter 255B applicable to the financing of instalment sales of motor vehicles has convinced the Banking Department that the buyer whom the section is intended to protect is, in effect, being assessed additional charges each and every time a deferment in payments is necessary. Actually, the section appears to require the holder of the contract to rewrite it, thus enabling him to make additional assessments against the buyer and for which there is no justification because the holder has already received, in practically every instance, these charges when the contract was originally written. We feel that these additional costs should not be assessed against a buyer and, therefore, request an amendment to chapter 255B.

The accompanying drafts of legislation will accomplish these objectives.

The expansion of population in the Commonwealth, particularly in the towns, has aroused some interest in the proposition that the branch banking laws affecting savings banks and co-operative banks should be changed in a very limited manner and without disturbing the county line restriction. Some of the towns being large in area are developing centers of population and business quite remote from one another. If there is a savings bank or co-operative bank facility

presently in such town, an additional one may not be authorized therein despite the fact that public convenience and advantage would be served thereby.

The Banking Department has this matter under study and it is expected that legislation will be sought in the next session unless such an emergency occurs prior thereto as to suggest that your Honorable Body might want to take action in this session.

