

HOUSE No. 5563

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, April 28, 1986.

The committee on Banks and Banking, to whom was referred the petition (accompanied by bill, House, No. 1241) of the Massachusetts Co-operative Bank League and Michael C. Creedon relative to loans to officers of co-operative banks, reports recommending that the accompanying bill (House, No. 5563) ought to pass.

For the committee,

THOMAS M. FINNERAN.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Six.

AN ACT RELATIVE TO LOANS TO OFFICERS AND DIRECTORS 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 19 of Chapter 170 of the General Laws, as appearing
2 in the 1984 Official Edition, is hereby amended by striking out
3 the first paragraph and inserting in place thereof the following
4 paragraph: —

5 No officer or director of a bank shall, except as hereinafter
6 provided, borrow from or otherwise become indebted to the bank
7 of which he is an officer or director, and no bank shall, except
8 as hereinafter provided, make any loan or extend credit in any
9 other manner to any of its own officers and directors; provided,
10 however, that with the prior approval of a majority of the entire
11 board of directors, excluding any member thereof involved in the
12 loan or extension of credit, a bank may loan or extend credit to
13 any such officer and such officer may become indebted to such
14 bank in an amount not exceeding twenty thousand dollars on a
15 loan or extension of credit, secured or unsecured, and in an
16 amount not exceeding sixty thousand dollars on a loan or
17 extension of credit intended or secured for educational purposes,
18 and in an amount not exceeding one hundred and fifty thousand
19 dollars on a loan secured by a mortgage on real estate improved
20 with a single family dwelling which is, or is to be, occupied by
21 such officer, or to such director, who is not an officer of such bank,
22 subject to the limitations contained in Chapter 167E. Such bank
23 shall not give a preferential rate of interest or other preferential
24 terms on any such loan or extension of credit to any such officer
25 or to any such director.