

By Mr. Weinberg of Boston, petition of the Massachusetts co-operative Bank League relative to authorizing co-operative banks to make variable-interest-rate loans. Banks and Banking.

The Commonwealth of Massachusetts

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

AN ACT AUTHORIZING CO-OPERATIVE BANKS TO MAKE VARIABLE-INTEREST-RATE MORTGAGE LOANS.

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 23 of chapter 170 of the General Laws, is hereby
2 amended by inserting after subsection one thereof the following
3 new subsection:—

4 *1A. Variable-Rate Mortgage Loans.* Each note or mortgage
5 hereunder may require periodic adjustment in the rate of interest
6 payable, provided that; (a) the interest rate shall be decreased
7 and may be increased at fixed intervals of not less than one year
8 so long as the index hereinafter referred to has increased or
9 decreased at least one quarter of one percent; (b) any increase in
10 such rate shall not be more and any decrease, respectively, in the
11 average rate for new mortgage loans shown by the Federal
12 Home Loan Bank Board Monthly Index for new homes in the
13 Boston area derived by comparison of such average rate last
14 published before the effective date of any such adjustment with
15 such average rate last published before the making of the
16 original loan; (c) any such adjustment shall be effective only on
17 the due date of a regular monthly payment, as provided in the
18 original note or mortgage; (d) the note or mortgage shall
19 provide that, whenever any adjustment results in an increase of
20 the interest rate payable, the borrower may elect (i) to increase
21 the amount of the required periodic payments of principal and
22 interest, without extending the term of the loan, or (ii) to

23 maintain the same required periodic payment and to extend the
24 term of the loan, provided that such extension is consistent with
25 the requirements as to maximum term and minimum amortiza-
26 tion of principal applicable to such loan under section twenty-
27 four, or (iii) to prepay the loan in full within sixty days after the
28 effective date of such adjustment, without penalty or premium;
29 and (e) not less than thirty days before the effective date of any
30 such adjustment, such corporation shall give to the borrower
31 written notice specifying (i) the amount of such adjustment, (ii)
32 the effect of such adjustment on the borrower's monthly
33 payment and/or on the remaining term of the loan, (iii) the
34 effective date of such adjustment, and (iv) that the borrower
35 may elect a payment option or prepayment in accordance with
36 the terms of clause (d) of this paragraph.