

SENATE . . . No. 243.

Commonwealth of Massachusetts.

IN SENATE, April 9, 1872.

The Committee on Banks and Banking to whom was referred the petition of A. J. Benyon, Peleg W. Chandler, A. T. Low, Henry Villard and others, for an Act of incorporation as the Massachusetts Mortgage Company, report the accompanying Bill.

The bill provides for the incorporation of a company for the purpose of carrying on the business, *first*: of insuring or guaranteeing the payment of the principal and interest of mortgages on real estate; and *second*: of making investments of its own capital and of money borrowed upon its bonds in such mortgages.

The Committee are satisfied that the establishment of such a company, as the one proposed, would supply a want that has been long felt, and would result in great public benefit. Charters of a similar character have already been granted in the State of New York, and elsewhere. Institutions of a like sort have long existed in Germany and other countries, and have stood the test of experience. The testimony produced before the Committee was very full and came from gentlemen of highest character and financial ability, and was uniform in approving the principles embodied in the proposed Act. The subject has been carefully considered by this Committee and

has also been examined by the Committee on Mercantile Affairs, to whom it was formerly referred, and whose judgment we believe coincided with that which we have formed.

The petitioners satisfied the Committee of their ability to control and introduce into this country a large amount of foreign capital at cheaper rates than it can be obtained here, and that a business can be carried on, at once safe and lucrative to the parties engaged in it, and of general benefit to the community. The charter granted in New York, and several foreign charters, have been examined and compared, and such safeguards have been introduced into the proposed bill as the experience of others and the legislation of the Commonwealth on kindred subjects suggest.

The Committee think that the proposed bill will serve the following purposes:—

1. It will enable parties having occasion to borrow money on sound mortgages to obtain for a small premium (say a small fraction of one per cent.) the guarantee or insurance of a responsible company.

2. It will tend to put good country mortgages on an equal footing with city mortgages, and thus to distribute capital from points of accumulation to points where it is in demand.

3. It will provide for trustees and timid or cautious investors a ready means of strengthening their security at a low rate.

4. It will facilitate and further extend the power of turning real estate, by means of loans upon mortgages, into quick capital. The investments of the proposed company are restricted to investments upon mortgages.

5. It will tend to introduce into the country a large amount of foreign capital.

The petitioners have definite and advantageous offers of coöperation on the part of capitalists abroad. These parties desire to act in conjunction with a company established in the State of Massachusetts, because the credit and name of this Commonwealth stand deservedly high in foreign countries. It is clear to the Committee that a large and lucrative business is quite sure to be built up, and in their judgment it is wise that this State should not lose the advantages of it. Aside from the general benefits to the community, above named, it is the wise policy of this State to encourage the enterprise of its

citizens to build up and increase the general business of the community, and to add to the taxable property of the State.

The Committee recommend the name of "Massachusetts Mortgage Company," instead of the name proposed by the petitioners.

Per order of the Committee,

CHARLES P. STICKNEY, *Chairman.*

Commonwealth of Massachusetts.

In the Year One Thousand Eight Hundred and Seventy-
Two.

AN ACT

To incorporate the Massachusetts Mortgage Com-
pany.

*Be it enacted by the Senate and House of Representa-
tives, in General Court assembled, and by the authority of
the same, as follows:—*

1 SECT. 1. William Endicott, junior, Peleg W.
2 Chandler, J. M. S. Williams, Henry Villard, J.
3 Warren Merrill, Samuel H. Walley, Thomas M.
4 Devens, their associates and successors, are hereby
5 made a corporation by the name of the Massachu-
6 setts Mortgage Company, for the purposes herein-
7 after set forth, to be located in the city of Boston,
8 and to be subject to all the duties, restrictions and
9 liabilities set forth in all general laws which now
10 are or hereafter may be in force in relation to such
11 corporations, except as herein provided.

1 SECT. 2. The capital stock of said corporation
2 shall be one million dollars, and said corporation
3 shall have the right to increase the same from time
4 to time to an amount not exceeding five million
5 dollars. Said capital stock shall be divided into
6 shares of one hundred dollars each, to be paid in
7 at such times and in such manner as the board of
8 directors may decide: *provided*, that no business
9 shall be commenced until the whole capital stock
10 shall be subscribed for, and no certificates of
11 stock shall be issued or transfer made until the
12 whole capital shall be paid in in cash.

1 SECT. 3. The said corporation shall have the
2 power,—

3 To lend money on the security of mortgages on
4 real estate situated within the United States, and
5 to purchase and take assignments of such mort-
6 gages.

7 To issue bonds, and to sell and dispose of the
8 same; but the amount of such bonds outstanding
9 at any time shall not exceed the amount of money
10 then owing to said corporation upon the mortgage
11 loans and purchases aforesaid, nor shall said
12 amount exceed ten times the capital stock actually
13 paid in. Such bonds may be either registered or
14 payable to bearer, and shall constitute a general
15 lien upon the mortgages and mortgage securities
16 held by said corporation; they may also be made
17 to constitute a special lien upon such classes of
18 mortgages and securities as may be mentioned in

19 said bonds. The principal and interest of such
20 bonds may be made payable at such times and
21 places as the board of directors may decide, and
22 said corporation may reserve the right to redeem
23 said bonds at any time, and may pay therefor a
24 premium not exceeding ten per cent.

25 To insure the repayment of the principal, and
26 the regular payment of the interest of any satis-
27 factory mortgages.

28 To act as the agent of other parties in pro-
29 curing investments or loans on mortgages.

1 SECT. 4. No loan shall be made upon any
2 property upon which there is a prior mortgage,
3 incumbrance or lien other than the right of dower,
4 curtesy or homestead exemption, nor shall any
5 loan be made by said corporation on mortgages on
6 real estate to more than two-thirds the appraised
7 value thereof, if the same be improved property,
8 nor to more than one-half the appraised value
9 thereof if the same consist of farms or vacant
10 lands. All real estate acquired by the foreclosure
11 of mortgages or by levy of execution shall be sold
12 at public auction within two years of such fore-
13 closure. Said real estate shall not be affected by
14 any lien provided for in section three.

1 SECT. 5. No mortgages shall be insured or
2 guaranteed by said corporation unless a guarantee
3 fund of not less than fifty thousand dollars shall
4 first have been set aside from the capital stock

5 paid in. Said guarantee fund may be invested in
6 bonds of the United States or of the Common-
7 wealth of Massachusetts; and the principal and
8 interest thereof shall remain, be held and applied
9 so long as the said corporation shall remain liable
10 upon the guarantee or insurance aforesaid, solely
11 to secure the payment of the principal and inter-
12 est of said guaranteed or insured mortgage secu-
13 rities; and said fund shall not be considered part of
14 the paid-in capital in estimating the limit of the
15 issue of bonds.

1 SECT. 6. In case the value of the mortgages
2 securing a certain class of bonds shall be reduced
3 by payments or otherwise to a less amount than
4 the total amount of such bonds outstanding, the
5 amount of bonds and of mortgages shall be equal-
6 ized as soon as may be by the prepayment or
7 redemption of a sufficient number of bonds or by
8 an addition to the number of mortgages.

1 SECT. 7. Five per cent. at least of the net earn-
2 ings of the said corporation shall be applied each
3 year to the formation of a reserve fund until such
4 reserve fund shall become equal to twenty-five per
5 cent. of the capital stock paid in, but said reserve
6 fund shall not be considered part of the paid-in
7 capital in estimating the limit of the issue of
8 bonds.

1 SECT. 8. The said corporation shall semi-annu-
2 ally make a return to the commissioner of savings

3 banks of this Commonwealth, on or before the
4 second Monday of May and November, which
5 shall be signed and sworn to by a majority of its
6 board of directors, stating the full amount of its
7 capital stock, the amount of its guarantee fund, as
8 provided in section five, and in detail the amount
9 of the mortgages insured, and of the premiums
10 received therefor, of its investment in mortgages
11 and of the bonds issued against the same, and if
12 any of the bonds constitute a special lien upon
13 certain classes of mortgages, the amount of bonds
14 and mortgages outstanding in each class, and in
15 general the exact financial condition of said cor-
16 poration. Said commissioner shall have the same
17 access to the vaults, books and papers of this cor-
18 poration, and it shall be his duty to inspect, exam-
19 ine and inquire into its affairs, and to take pro-
20 ceedings in regard to them in the same manner
21 and to the same extent as if this corporation were
22 a savings bank.

1 SECT. 9. The said corporation shall have the
2 same power to hold, purchase and convey real and
3 personal estate necessary for the purposes of its
4 organization that is given to corporations organ-
5 ized under the general law by chapter two hundred
6 and twenty-four of the statutes of eighteen hun-
7 dred and seventy.

1 SECT. 10. Said corporation, for purposes of tax-
2 ation, shall be subject to the provisions of chapter

3 two hundred and eighty-three of the acts of the
4 year eighteen hundred and sixty-five, and to any
5 acts existing or that may hereafter be passed in
6 amendment or lieu thereof, and also to the pro-
7 visions of all general laws relating to the taxation
8 of corporations, so far as the same may be appli-
9 cable; and the returns to be made by said corpo-
10 ration shall be those provided for in section eight
11 of this act, and those required by chapter two
12 hundred and eighty-three of the acts of the year
13 eighteen hundred and sixty-five, and by acts
14 passed in lieu or amendment thereof, and those
15 which may be required by general laws from all
16 corporations in this Commonwealth. The bonds
17 issued by said corporation shall be taxable to the
18 holders thereof without offset on account of debts
19 due from them, under the provisions of chapter
20 eleven of the General Statutes.

1 SECT. 11. This act shall take effect upon its
2 passage.

