

BUREAU OF BANKING

Department of Professional and Financial Regulation

State of Maine

May 16, 1977

BULLETIN #15 EXPLANATION OF DEMAND FEATURE

To the Chief Executive Officer Addressed:

On April 5, 1977, the Superintendent issued Regulation #8 dealing with loans secured by a first mortgage on residential real estate payable on demand, which is effective May 16, 1977. Paragraph C of this regulation addresses notification of conditions under which the demand feature may be exercised and requires that these conditions be listed on the note or other evidence of indebtedness.

Inquiries have been received relative to the format of such notification. It is not the intent of this Bureau to dictate which conditions would allow the demand feature to be exercised. Our concern lies in a clear and conspicuous notification to the borrower(s) of these conditions with an explanation of the meaning of "on demand".

The following suggested explanation is satisfactory to this Bureau:

Note: This is a demand loan contract and is subject to increases and decreases in the ANNUAL PERCENTAGE RATE from time to time as determined by the bank. The undersigned will be notified in writing sixty (60) days prior to the effective date of any upward revision in the ANNUAL PERCENTAGE RATE.

This explanation coupled with a clear and conspicuous list of conditions under which the demand feature could be exercised would meet the requirements in Paragraph C of Regulation #8.

/s/ John A. Durham
Superintendent