

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

1 SECOND REGULAR SESSION

2
3 ONE HUNDRED AND TENTH LEGISLATURE

4
5 **Legislative Document**

No. 1817

6
7 S. P. 759

In Senate, January 13, 1982

Approved for introduction by the Legislative Council pursuant to Joint Rule 26.

Referred to the Committee on Business Legislation and 1,600 ordered printed. Sent down for concurrence. Ordered sent forthwith.

MAY M. ROSS, Secretary of the Senate

8 Presented by Senator C. Sewall of Lincoln.

9
10
11 STATE OF MAINE

12
13 IN THE YEAR OF OUR LORD
14 NINETEEN HUNDRED AND EIGHTY-TWO

15
16 AN ACT to Amend the Maine Consumer Credit Code
17 Regarding Second Mortgages and Mobile Homes.
18

19 Be it enacted by the People of the State of Maine as follows:

20 9-A MRSA §1-202, sub-§8, as last amended by PL 1979, c.
21 660, §1, is further amended to read:

22 8. A loan made by a supervised financial organization
23 when the loan is secured by a first mortgage on real estate,
24 or by a subsequent mortgage held by the same bank, and the
25 security interest in real estate is not made for the purpose
26 of circumventing or evading this Act. Such exemption shall
27 ~~not~~ apply to loans involving mobile homes which are or will
28 be used as the borrower's principal dwelling. For the pur-
29 poses of this subsection, "mobile home" ~~shall mean~~ means a

1 structure, transportable in one or more sections, which is 8
2 body feet or more in width and is 32 body feet or more in
3 length, and which is built on a permanent chassis and
4 designed to be used as a dwelling with or without permanent
5 foundation when connected to the required utilities, and
6 includes the plumbing, heating, air conditioning and elec-
7 trical systems contained therein; or

8 STATEMENT OF FACT

9 This bill exempts subsequent mortgages on real estate
10 from the Maine Consumer Credit Code when the subsequent
11 mortgage is held by the same financial institution holding
12 the first mortgage. This change makes the Maine Consumer
13 Credit Code consistent with the Banking Code which was
14 amended by the First Regular Session of the 110th Legis-
15 lature to authorize banks to make subsequent mortgages. The
16 provisions of the Maine Consumer Credit Code, Truth in Lend-
17 ing would still apply so that financial institutions would
18 still be required to give disclosures to the consumer about
19 the cost of credit. First mortgages have always been exempt
20 from the Maine Consumer Credit Code and subsequent mortgages
21 held by the same institution should be treated the same way.
22 Consumers often have subsequent mortgages which are as big
23 as their first mortgages and could reasonably expect that
24 subsequent mortgages would be under similar terms, condi-
25 tions and restrictions as the first. Also, consumers with
26 existing mortgages often ask for substantial 2nd mortgages,
27 for example, for energy conservation purposes, and this
28 change would free up the supply of funds for such purposes.
29 Finally, to bring needed capital into Maine, it is important
30 that banks be able to sell mortgages on the "secondary
31 market". To be able to sell to the secondary market, mort-
32 gages must be on standard forms and provide for variable
33 interest rates. This change permits the sale of subsequent
34 mortgages on the secondary market.

35 This bill also exempts mobile homes from the Maine Con-
36 sumer Credit Code when the mobile home is the borrower's
37 principal dwelling. Mobile homes when used as a principal
38 dwelling are often nearly as big and expensive as certain
39 modular housing or conventional homes which are also exempt
40 from the Code. As with subsequent mortgages, the Truth in
41 Lending requirements still apply to loans for such mobile
42 homes.