## MAINE STATE LEGISLATURE

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L.D. 1852

(Filing No. S-407)

2	STATE OF MAINE
3	SENATE
4	110TH LEGISLATURE
5	SECOND REGULAR SESSION

6 COMMITTEE AMENDMENT "A" to S.P. 787, L.D. 1852, Bill, 7 "AN ACT to Amend the Maine Consumer Credit Code Regarding 8 Educational Loans and Cosigner Notices."

9 Amend the bill in the emergency preamble by inserting 10 after the 4th paragraph the following:

'Whereas, the cosigner notice provisions of the Maine Consumer Credit Code, which were enacted in the First Regular Session and are scheduled to take effect on April 1, 1982, have inadvertently created considerable confusion about the notices to be given cosigners, especially in cases of open-end credit; and'

17 Further amend the bill by striking out everything after 18 the enacting clause and inserting in its place the follow-

20 'Sec. 1. 9-A MRSA §1-202, sub-§7, as last amended by 21 PL 1979, c. 541, Pt. A, §85, is further amended to read:

7. A loan made by a supervised financial organization or an institution of higher education when the loan is a low interest educational loan made for the purpose of financing expenses related to the berrower's attendance at an institution of post-secondary education, and on which the finance charge does not exceed 7 1/2% that rate per year on the unpaid balances of the amount financed or such finance charge in excess thereof as the United States Secretary of Health, Education and Welfare shall from time to time establish as shall be established by federal law or, for loans for which federal law does not establish a rate, the highest rate established for educational loans under any federal program, and which is insured, guaranteed or subsidized by the Federal Government or a state or by a nonprofit private loan guaranty or organization or by the institution of higher education itself or through an endowment or trust fund affiliated with such an institution; or

 ina:

## 1 COMMITTEE AMENDMENT "A" to S.P. 787, L.D. 1852

- Sec. 2. 9-A MRSA §3-206, sub-§1, first ¶, as enacted by PL 1981, c. 264, §1, is amended to read as follows:
- 4 A natural person consumer is not obligated as a cosigner, 5 comaker, guarantor, endorser, surety or similar party with
- 6 respect to a consumer credit transaction, unless before or
- 7 contemporaneously with signing any separate agreement of 8 obligation, or any writing setting forth the terms of the
- 9 debtor's agreement, the person consumer receives a written
- notice conforming to the requirements of subsection 2 and
- the following notices required to be given to the debtor as
- 12 applicable:
- 13 Sec. 3. 9-A MRSA §3-206, sub-§1, ¶B, as enacted by PL 14 1981, c. 264, §1, is amended to read:
- 15 B. The <u>material</u> disclosures required under Article <del>VIII</del>;
- 17 Sec. 4. 9-A MRSA §3-206, sub-§2, ¶C, as enacted by PL 18 1981, c. 264, §1, is amended to read:
- 19 C. The Except for open-end credit the total of pay-20 ments and, if applicable, the fact that delinquency 21 charges and other costs may also be assessed;
- 22 Sec. 5. 9-A MRSA §3-206, sub-§2, ¶E, as enacted by PL 23 1981, c. 264, §1, is amended to read:
- 24 <u>E.</u> A statement informing the person of his right to a copy of the agreement of obligation that creates his obligation.
- 27 Sec. 6. 9-A MRSA §3-206, sub-§4, as enacted by PL 28 1981, c. 264, §1, is amended to read:
- 4. Copy of agreement. A person entitled to notice under this section shall be given a copy of any writing setting forth the terms of the debtor's agreement and any separate agreement of obligation signed by the person entitled to the notice.
- 34 Sec. 7. 9-A MRSA §3-206, sub-§6 is enacted to read:
- 35 <u>6. Definition. For the purposes of this section,</u>

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- "consumer credit transaction" means, with respect to open-end credit, an open-end credit plan or open-end credit ac-
- count and the notices required by subsection 1, paragraph B and the notice described in subsection 2 shall be given
- before the first extension of credit pursuant to the open-6
- end account.
- Sec. 8. Application. This Act shall apply to all con-8
- sumer credit transactions entered into after October 1, 9
- 10 1982.
- 11 Emergency clause. In view of the emergency cited in
- the preamble, this Act shall take effect when approved.' 12

## STATEMENT OF FACT 13

- 14 The purposes of this amendment are to:
- 1. Add a paragraph to the emergency preamble to 15 16 reflect the need for amendments to the cosigner law;
- 17 2. Eliminate the lender's status as a criterion in the 18 Maine Consumer Credit Code's educational loan exemption;
- 3. Clarify the maximum interest for exempt educational 19 20 loans not sponsored by the Federal Government;
- and correct technical errors in 21 4. Simplify the 22 cosigner law;
- 5. Ensure that cosigners on open-end credit also receive certain notices required by law to be given to pri-23 24 mary debtors; and 25
- 26 6. Change the effective date to conform to the effec-27 tive date of other recent consumer laws.

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Reported by the Committee on Business Legislation.

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