

MAINE STATE LEGISLATURE

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ONE HUNDRED AND FIFTH LEGISLATURE

Legislative Document

No. 727

H. P. 551

House of Representatives, February 10, 1971

Referred to Committee on Business Legislation. Sent up for concurrence and ordered printed.

BERTHA W. JOHNSON, Clerk

Presented by Mr. McKinnon of South Portland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-ONE

**AN ACT Relating to Interest, Restrictions and Method of Computation
under Small Loan Agency Law.**

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

Sec. 1. R. S., T. 9, § 3081, amended. The first paragraph of section 3081 of Title 9 of the Revised Statutes, as repealed and replaced by section 5 of chapter 474 of the public laws of 1967, is amended to read as follows:

Every person, copartnership and corporation licensed under chapters 281 to 289 may loan any sum of money, goods or choses in action not exceeding in amount or value the sum of \$2,000, any lower limitation of amount in its charter notwithstanding, and may charge, contract for and receive thereon interest at a rate not to exceed 2½% per month on that part of the unpaid principal balance of any loan not in excess of \$300, 2% on that part of the unpaid principal balance exceeding \$300 but not in excess of \$600, and 1½% per month on any remainder of such unpaid principal balance. A minimum charge of not exceeding 25¢ shall be allowable in all cases. No person shall owe any licensee at any time more than \$2,000 for principal. No contract of loan made under chapters 281 to 289 shall provide for a greater rate than 8% per year simple interest on the principal balance remaining unpaid at the expiration of 36 months on the original loan, including any additional amounts borrowed, any renewal, refinancing or extension of the contract made within such period; and thereafter, such unpaid principal balance shall not be directly or indirectly renewed or refinanced by the lender who made such loan, nor shall such lender grant any additional loan to any such borrower until such unpaid balance has been paid in full.

Sec. 2. R. S., T. 9, § 3081, amended. Section 3081 of Title 9 of the Revised Statutes, as repealed and replaced by section 5 of chapter 474 of the

public laws of 1967, is amended by adding at the end the following new paragraph and subsections:

When the loan contract requires repayment in substantially equal and consecutive monthly installments of principal and interest combined, the interest may be precomputed at the agreed monthly rate, not in excess of that provided for in this section, on scheduled unpaid principal balances according to the terms of the contract and added to the principal of the loan. Every payment may be applied to the combined total of principal and precomputed interest until the contract is fully paid and the acceptance or payment of interest on loans made under these provisions shall not be deemed to constitute payment, deduction or receipt thereof in advance not compounding under section 3082. Such precomputed interest shall be subject to the following adjustments:

1. Prepaid or refinancing; rebate. If the loan contract is prepaid in full by cash, a new loan, refinancing or otherwise before the final installment date, the borrower shall receive a rebate of interest. Such rebate shall be at least as great a proportion of the precomputed interest, excluding any adjustment of interest for a first period of more or less than one month, as the sum of the remaining monthly balances of principal and interest combined scheduled to follow the installment date nearest the date of prepayment bears to the sum of all the monthly balances of principal and interest combined originally scheduled by the contract.

2.—dates. Any such prepayment in full made on or before the 15th day following an installment date shall be deemed to have been made on the installment date preceding such prepayment. If such prepayment occurs before the first installment date an additional refund of $1/30$ th of the portion of precomputed interest which could be retained for a first installment period of one month shall be made for each day from the date of prepayment in full to the first scheduled installment date. If judgment is obtained before the final installment date, the contract balance shall be reduced by the refund of precomputed interest which will be required for prepayment in full on the date judgment is obtained.

3. Default. If default of more than 5 days occurs in the payment in full of any scheduled installment and if the contract so provides, the licensee may charge and collect a default charge which is equal to the rebate that would be required for prepayment in full one full month prior to the final due date. If payment of all unpaid installments is deferred one or more full months and the contract so provides, the licensee may charge and collect additional interest which shall be equal to the difference between the rebate that would be required for prepayment in full as of the scheduled due date of the first deferred installment and the rebate which would be required for prepayment in full as of one month prior to said date, multiplied by the number of full months in which no scheduled payment is made or required by reason of the deferment. If a rebate of precomputed interest is required during a period of deferment, a prorata rebate of the deferment charge shall also be made.

Such default or deferment charge may be collected when the default or deferment occurs or at any time thereafter. Only one default charge may be

made on any one installment or for any one default. No deferment charge shall be made on any installment for which a default charge has been made unless the default charge on such installment is rebated in full.

Sec. 3. R. S., T. 9, § 3082, amended. The first sentence of section 3082 of Title 9 of the Revised Statutes is amended to read as follows:

Interest, consideration or charges for the use of money payable under chapters 281 to 289 shall not be deducted or received in advance and shall be computed on unpaid principal balances, but interest may be precomputed as provided in section 3081.

STATEMENT OF FACT

The purpose of this bill is to increase the interest rate from 1½ to 2% on unpaid balance from \$300 to \$600 and to repeal the 36-month restriction and to change the method of computation under the small loan agency law.