

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

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Legislative Document

No. 606

H. P. 457

House of Representatives, February 1, 1973

Referred to the Committee on State Government. Sent up for concurrence and ordered printed.

E. LOUISE LINCOLN, Clerk

Presented by Mr. Smith of Exeter.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-THREE

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**AN ACT to Establish a Revenue Bonded State Flexible Interest Rate  
Mortgage Program.**

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**Emergency preamble.** Whereas, Acts of the Legislature do not become effective until 90 days after adjournment of the Legislature unless enacted as emergencies; and

Whereas, the Federal Government has suspended below market interest rate programs which generated more than \$50,000,000 worth of housing last year in Maine; and

Whereas, the cut off of federal funds will cripple the housing industry in the State of Maine if it is not counteracted by state action; and

Whereas, the State of Maine acknowledges its responsibility to its low income people to provide decent, safe and sanitary housing; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

**Sec. 1. R. S., T. 30, § 4651, sub-§ 13, additional.** Section 4651 of Title 30 of the Revised Statutes is amended by adding a new subsection 13 to read as follows:

13. **Flexible interest rate mortgage program.** The State Housing Authority shall have the power to make direct first mortgage loans to persons

of low or moderate income at flexible rates of interest. The borrower's interest rate under this program shall be based on his annual family income in accordance with a definition and scale to be adopted by the state authority and not limited by definitions found elsewhere in this subchapter. The maximum mortgage size allowable under this program shall be determined on at least an annual basis by the state authority. No borrower under this program shall pay less than 3% interest. Once a borrower has established a loan under this program, his interest rate shall increase according to a graduated scale to be adopted by the state authority, but by at least ½% for every \$1,000 his annual family income increases up to a maximum interest rate of 9% as determined by the authority. This program shall be designed to be self-sustaining, with a return on loans to the authority adequate to provide for administration and to repay the revenue bonds issued to fund this program. If any borrower desires to retire from the program before his loan has been repaid, he shall be required to pay an appropriate retirement penalty to allow the authority to regain adequate funds to insure that the program remains self-sustaining. The state authority shall provide guidelines for handling contingencies such as sale of homes or mortgages by participating mortgagors.

Sec. 2. R. S., T. 30, § 4762, amended. Section 4762 of Title 30 of the Revised Statutes, as enacted by section 18 of chapter 470 of the public laws of 1969, is amended by adding a new paragraph to read as follows:

Said limitation shall not apply to bonds issued for the purpose of carrying out the powers enumerated in section 4651, subsection 13. For the purpose of carrying out the powers enumerated in section 4651, subsection 13, the authority shall not at any time have, in the aggregate principal amount thereof outstanding, obligations in excess of \$50,000,000 in addition to obligations covered by the limitation listed in the first paragraph of this section.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

#### STATEMENT OF FACT

The Flexible Interest Rate Mortgage Program provides a cost-free revenue bond method to fill the upper middle portion of the need which, until January 5, 1973, was filled by federal interest reduction programs.