

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

Legislative Document

No. 1128

S. P. 382

In Senate, March 1, 1973

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

HARRY N. STARBRANCH, Secretary

Presented by Senator Brennan of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-THREE

**AN ACT Revising Interest Charges of Industrial Loan Companies and
Industrial Banks.**

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

Sec. 1. R. S., T. 9, § 2303, amended. Section 2303 of Title 9 of the Revised Statutes, as amended by section 3 of chapter 140 of the public laws of 1967, is further amended to read as follows:

§ 2303. Authority of commissioner

The Bank Commissioner shall at all times have the same authority over every corporation organized under section 2341 that he has over savings banks and small loan agencies, and shall perform, in reference to such corporation, the same duties as are required of him in reference to savings banks and small loan agencies. ~~Section 402, subsections 1 and 2, section 473, subsection 3 and sections 691 to 696 shall apply to industrial loan companies~~

Sec. 2. R. S., T. 9, § 2345, amended. The first paragraph of section 2345 of Title 9 of the Revised Statutes, as amended by section 7 of chapter 140 of the public laws of 1967, is further amended to read as follows:

In addition to the powers conferred upon corporations by the general corporation law, every industrial loan company or industrial bank shall have the following powers:

Sec. 3. R. S., T. 9, § 2345, sub-§ 1, amended. Subsection 1 of section 2345 of Title 9 of the Revised Statutes, as amended by section 8 of chapter 140 of the public laws of 1967, is further amended to read as follows:

1. **To borrow and lend money; maximum rate of interest.** To borrow money, to lend money and ~~discount notes and bills of exchange, including trade acceptances, and to deduct interest thereon in advance at a rate no greater than 12% annually~~ to acquire evidences of indebtedness, security interests or chattel paper provided that in any such activities the maximum rate of interest charged to borrowers shall not exceed the rate permitted by section 2346;

Sec. 4. R. S., T. 9, § 2345, sub-§ 3, repealed. Subsection 3 of section 2345 of Title 9 of the Revised Statutes is repealed.

Sec. 5. R. S., T. 9, § 2346, additional. Title 9 of the Revised Statutes is amended by adding a new section 2346 to read as follows:

§ 2346. Maximum rate of interest

1. **Rate.** An industrial loan company or industrial bank may charge, contract for and receive interest at a rate not exceeding 16% annually on the unpaid principal balance of any loan, calculated according to the actuarial method; provided that no contract of loan made under chapters 201 to 205 shall provide for a greater rate than 8% annually, calculated according to the actuarial method, 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.

2. **Interest and charges.** Interest, consideration or charges for the use of money payable to an industrial loan company or industrial bank shall not be deducted or received in advance and shall be computed on unpaid principal balances. Such interest, consideration or charges shall not be compounded. In addition to the interest provided for by this section, no further charge or other amount whatsoever for any examination, service, brokerage commission or other thing, or otherwise, shall be directly or indirectly charged, contracted for or received, except insurance premiums for group credit life insurance and group credit accident and health insurance and any lawful gain or return to the industrial loan company or industrial bank therefrom, and lawful fees, if any, actually and necessarily paid out by the industrial loan company or industrial bank to any public officer for filing or recording in any public office any instrument securing the loan, which fees may be collected when the loan is made, or at any time thereafter. No credit accident and health insurance shall be sold unless there is a waiting period of 30 days or more, a minimum payment of \$40 per month and the loan is for at least 18 months.

3. —**excess.** If interest or charges in excess of those permitted by this section, including insurance premiums and filing fees, shall be charged, contracted for or received, the contract of loan shall be void and the industrial loan company or industrial bank shall have no right to collect or receive any principal, interest or charges whatsoever. Upon a finding of a court that in-

terest or charges in excess of those permitted by this section have been charged, contracted for or received, the industrial loan company or industrial bank shall forfeit to the borrower the amount of all payments made as principal and interest payments, and the industrial loan company or industrial bank shall mark and return the note and other papers relating to the contract of loan as paid. Reasonable attorneys' fees and costs shall be awarded to the borrower if he is the prevailing party in such action.

4. Loans split up or divided. No industrial loan company or industrial bank shall induce or permit any borrower or borrowers to split up or divide any loan, and all sums owed by any person at any one time directly or contingently shall be considered as one contract of loan for the purpose of computing the interest payable thereon. No licensee shall induce or permit any person, nor any husband and wife, jointly or severally to become obligated, directly or contingently or both, under more than one contract of loan at the same time, for the purpose or with the result of obtaining a higher rate of interest than would otherwise be permitted by this section.

STATEMENT OF FACT

The purpose of this bill is reflected in the title.