

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND SEVENTH LEGISLATURE

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Legislative Document

No. 743

H. P. 600

House of Representatives, February 21, 1975

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

EDWIN H. PERT, Clerk

Presented by Mrs. Clark of Freeport.

Cosponsor: Mrs. Byers of Newcastle.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-FIVE

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**AN ACT Prohibiting Increase of Finance Charges on Outstanding Balances  
of Open-End Accounts under the Consumer Credit Code.**

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

Whereas, Title 9-A, section 3-204, subsection 2 of the Maine Consumer Credit Code permits creditors, as of January 1, 1975, to alter the terms of existing open-end credit accounts and thereby increase the interest charges on outstanding balances of goods, services or money secured prior to that date despite the fact that such an increase had never been authorized by prior agreements between the consumer and the creditor; and

Whereas, some creditors have already begun to utilize this device to the obvious disadvantage of Maine consumers; and

Whereas, the economic impact of this device will be felt by Maine consumers as early as March, 1975; and

Whereas, the following legislation is necessary to prevent such an unconscionable practice; 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:**

**9-A MRSA § 3-204, sub-§ 2, as enacted by PL 1973, c. 762, § 1, is amended by adding at the end a new sentence to read:**

**Changes in terms, increases in penalties, interest or other charges may not affect outstanding balances incurred prior to the effective date of any such changes.**

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

#### STATEMENT OF FACT

Section 3-204 of the Maine Consumer Credit Code permits creditors to increase the interest charges on the unpaid balances of open-end credit accounts merely by giving notice to the consumer of the change. A creditor should be permitted to increase the interest rate on open-end credit accounts on purchases made after the consumer receives notice of the change. However, increasing the interest rates on the unpaid balances is an unconscionable practice when the Maine consumer had agreed to repay the obligation at a certain, fixed rate of interest. Section 3-204 permits the creditor to increase the interest rate on the unpaid balances regardless of whether or not the consumer had agreed to such an increase in a prior agreement.

This amendment would restrict such increases to new balances entered into after the consumer had been notified of the increased interest charges.