

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

(EMERGENCY)

ONE HUNDRED AND SEVENTH LEGISLATURE

Legislative Document

No. 751

H. P. 608

House of Representatives, February 21, 1975

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

EDWIN H. PERT, Clerk

Presented by Mrs. Clark of Freeport.

Cosponsor: Mr. Rideout of Mapleton.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-FIVE

AN ACT to Require a Notice of Default to be given within Prescribed Intervals, as Applicable, for Open-end Credit Transactions under the Consumer Credit Code.

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

Whereas, section 5-111 of the Maine Consumer Credit Code permits inequitable treatment of consumers on open-end credit transactions as opposed to closed-end transactions; 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 § 5-111, sub-§ 3, as enacted by PL 1973, c. 762, § 1, is amended by adding at the end a new sentence to read:

For the purpose of this section, in open-end credit, the obligation is the unpaid balance of the account and there is no right to cure and no limitation on the creditor's rights with respect to a default that occurs within 12 months after an earlier default as to which a creditor has given a notice of consumer's right to cure, section 5-110.

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

STATEMENT OF FACT

Presently, the code requires that a creditor issue just one notice of default to a consumer for a debt owed on the same obligation. In open-end credit transactions, a consumer signs one agreement at the inception, which authorizes him to make continued purchases on credit within the boundaries of his maximum credit line as specified in the agreement.

In these transactions, a creditor is required to issue the notice of default just once, and thereafter, at any time during the existence of a debt on this type of plan, the creditor may exercise his right to proceed against a consumer or collateral without issuing another notice of default to the consumer.

This amendment would provide realistic treatment for open-end accounts by requiring the creditor to issue a notice for cure of default only if the default has occurred more than one year after a prior default in which the consumer was allowed to cure the prior default.