

MAINE STATE LEGISLATURE

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(Governor's Bill)
SECOND REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1917

S. P. 739

In Senate, February 4, 1980

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

MAY M. ROSS, Secretary of the Senate

Presented by Senator Clark of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY

AN ACT to Align Mortgage Loan Authority for Maine Thrift Institutions with Federal Regulation and to Provide Temporary Authority to Adjust Interest Rate Ceilings in Certain Consumer Credit Transactions.

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

Sec. 1. 9-A MRSA 2-201, sub-§ 9, as last amended by PL 1977, c. 161 §§ 1 & 2, is further amended to read:

9. Notwithstanding any other provision, the finance charge on a transaction involving the financing of a sale of a motor vehicle as herein defined, **and mobile homes as defined in section 1-202, subsection 8**, may not exceed the following:

A. On any new motor vehicle **and mobile home** designated by the manufacturer by a year model not earlier than the year in which the sale is made, 13% per year on the unpaid balances of the amount financed, **except that the administrator may, by regulation, when market interest rates warrant and upon a showing that borrowing has been restricted, temporarily increase this rate for motor vehicles or mobile homes to no more than 18% per year on the unpaid balances of the amount financed;**

B. On any new motor vehicle **and mobile home** not included in paragraph A and on any used motor vehicle **and used mobile home** designated by the manufacturer by a year model of the same or not more than 3 years prior to the

year in which the sale is made, 20% per year on the unpaid balances of the amount financed; or

C. On any used motor vehicle **and used mobile home** not included in paragraph B, 23.5% per year on the unpaid balances of the amount financed.

D. ~~“Motor vehicle” means any device propelled or drawn by any power other than muscular or by which any person or property may be transported or drawn upon a highway~~ **self-propelled vehicle not operated exclusively on tracks**, except agricultural machinery and any other devices which do not constitute consumer goods, as defined in Title 11, section 9-109, subsection (1).

Sec. 2. 9-B MRSA § 532, sub-§ 8 is enacted to read:

8. Loans made in conformity with federal regulations. Unless otherwise authorized by this chapter, a savings bank is authorized to make any loan secured by a first mortgage on real estate as authorized by the Federal Home Loan Bank Board, provided that the type of loan shall first be authorized by the superintendent as conforming to chapter 24.

Sec. 3. 9-B MRSA § 732, sub-§ 11 is enacted to read:

11. Loans made in conformity with federal regulations. Unless otherwise authorized by this chapter, a savings and loan association is authorized to make any loan secured by a first mortgage on real estate as authorized by the Federal Home Loan Bank Board, provided that the type of loan shall first be authorized by the superintendent as conforming to chapter 24.

STATEMENT OF FACT

Section 1 provides that the interest rate ceiling on certain motor vehicles and mobile homes may be raised by the Superintendent of Consumer Protection from 13% when market interest rates have caused a reduction in consumer borrowing. The ceiling may go no higher than 18%. Such temporary increases on regulated consumer credit sales would permit interest rates to equal those directly available from financial institutions. Section 1 also clarifies the definition of motor vehicle so that it is made uniform with other provisions of the law, but it continues the inclusion of mobile homes under the provisions of this part of the Consumer Credit Code.

Sections 2 and 3 permit savings banks and savings and loan associations to offer types of first mortgage loans which may be authorized by the Federal Home Loan Bank Board, but which may not meet all requirements of the banking code. The Superintendent of Banking would first be required to determine that such a mortgage was in conformity with the chapter of the banking law relating to anticompetitive and deceptive practices. Currently, the banking code would permit any mortgage now authorized by the Federal Home Loan Bank Board, but a new regulation is expected to be issued by that body shortly after the Legislature adjourns and its exact provisions are not yet known. Uniformity of opportunity in

offering specific types of mortgages is important to insure full and fair competition between state chartered and federally chartered institutions and to insure that mortgage instruments used by the Maine financial institutions may be sold in the secondary market, i.e., by the federal mortgage support agencies.