

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES (Filing No. H-111)  
110TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 34, L.D. 39, Bill,  
"AN ACT to Regulate Variable Rate Consumer Credit Transactions  
under the Consumer Credit Code."

Amend the Bill by striking out all of that part designated  
"§3-310." and inserting in its place the following:

'§3-310. Variable rate transactions

1. In connection with a consumer credit transaction  
in which the annual percentage rate may vary during the term  
of the transaction, the creditor shall disclose the following  
items in writing before the credit is extended:

- A. The fact that the annual percentage rate may increase  
or decrease during the term of the transaction;
- B. The length of time between written notification of  
the consumer of any increase in the annual percentage rate  
and the effective date of the increase;
- C. The maximum amount by which the annual percentage rate  
may increase at any one time;
- D. The frequency with which the annual percentage rate  
may increase;
- E. The maximum amount by which the annual percentage rate  
may increase over the term of the transaction;
- F. The identity of the index or method based on factors  
beyond the creditor's control that will be the determinant  
of any increase or decrease in the annual percentage rate;

G. The effect a variation in the annual percentage rate will have on the transaction's other terms and schedule of payments; and

H. A hypothetical calculation showing the effect on the transaction's other terms and schedule of payments if the annual percentage rate when the credit is extended were increased once by the maximum amount disclosed under paragraph C.

2. A variation in the annual percentage rate in accordance with the disclosures required by subsection 1 shall not be considered a refinancing under section 2-504 or a change in terms under section 3-204.

3. A variation in the annual percentage rate not in accordance with the disclosures required by subsection 1 shall be considered a charge in excess of that allowed by this Code under section 5-201, subsections 3 and 4.

4. This section does not apply to a consumer loan if the debt is payable in a single installment either on demand or at a specified time, if the loan is secured by a savings or time deposit subject to federal law or regulations governing interest on deposits, and if the difference between the rate of interest on the savings or time deposit and the annual percentage rate on the loan at no time exceeds the difference between the 2 when the loan was made.'

Statement of Fact

The basic purpose of this amendment is to eliminate those provisions in the bill which would impose on creditors a fixed period of advance notice and a specific schedule and ceiling on

variations in interest rate. Under this amendment, creditors would be free to determine their own schedule and amount of rate variation as well as the length of the advance notice period. Creditors would then have to disclose these terms to prospective debtors. In addition, the committee intends that the index chosen by the creditor under section 3-310, subsection 1, paragraph F, trigger decreases in the interest rate. This amendment also makes clear that an increase in the rate in excess of that permitted under these disclosures would be treated as an excess charge under the Code's consumers' remedies provisions. Finally, this amendment exempts from the new section any loan secured by a savings or time deposit, provided that the difference between the interest rate on the loan and the deposit is never more than what it was at the inception of the loan.

Reported by the Committee on Business Legislation.  
Reproduced and distributed under the direction of the Clerk of the House.

3/19/81

(Filing No. H-111)