

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

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ONE HUNDRED AND TENTH LEGISLATURE

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**Legislative Document**

**No. 39**

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H. P. 34 House of Representatives, December 19, 1980  
Submitted by the Department of Business Regulation pursuant to Joint Rule  
24.

Reference to the Committee on Business Legislation suggested.

EDWIN H. PERT, Clerk

Presented by Mr. Gwadosky of Fairfield.

Cosponsor: Mr. Jackson of Yarmouth.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

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**AN ACT to Regulate Variable Rate Consumer Credit Transactions under the  
Consumer Credit Code.**

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

**9-A MRSA § 3-310 is enacted to read:**

**§ 3-310. Variable rate transactions**

**1. With respect to a consumer credit transaction in which the creditor seeks to vary the annual percentage rate during the term of the transaction, the following disclosures shall be made in writing:**

- A. The fact that the annual percentage rate will vary during the term of the transaction;**
- B. The maximum increase in the annual percentage rate that may occur over the length of the transaction;**
- C. The frequency of the change in the annual percentage rate;**
- D. The maximum increase in the annual percentage rate that can occur at any one time;**

**E. The identification of the index or other method adopted by the creditor and used as a factor in triggering any rate change;**

**F. A statement of how the increase or decrease in the annual percentage rate will affect the other terms and payment schedule of the transaction; and**

**G. A hypothetical calculation showing the effect of the maximum increase in the annual percentage rate at the time of the first change in the annual percentage rate on the terms and payment schedule of the agreement.**

**2. With respect to a consumer credit transaction in which the creditor seeks to vary the annual percentage rate during the term of the transaction, the agreement shall require the following:**

**A. The index or other method adopted by the creditor to trigger an increase in the annual percentage rate shall rely on factors external to the creditor's control;**

**B. Decreases in the index or other method adopted by the creditor pursuant to paragraph A shall require a corresponding decrease in the annual percentage rate;**

**C. The creditor shall adopt a schedule of frequency of changes in the annual percentage rate which allows no more than one change in any calendar year, the change not to exceed  $\frac{1}{2}$  of 1% per year; and**

**D. The creditor shall notify the consumer by written notice of a change in terms adopted pursuant to this section at least 30 days prior to the effective date of the change.**

**3. A change in the annual percentage rate adopted in accordance with this section shall not be considered a refinancing pursuant to section 2-504 or a change in terms pursuant to section 3-204.**

**4. A change in the annual percentage rate adopted in violation of this section shall result in the forfeiture by the creditor of any increase in the rate beyond the rate disclosed at the consummation of the transaction.**

#### STATEMENT OF FACT

Variable rate transactions, while common in commercial transactions, are relatively new in the consumer credit area. The Maine Consumer Credit Code is silent as to the legality of these transactions and the limits upon the amount, frequency or method of adjusting the interest rate over the life of the transaction. This bill adopts minimum disclosure rules and regulates certain contract terms in variable rate transactions.