

MAINE STATE LEGISLATURE

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1 (EMERGENCY)
2 SECOND REGULAR SESSION
3

4 ONE HUNDRED AND TENTH LEGISLATURE
5

6 **Legislative Document**

No. 1852

8 S. P. 787 In Senate, January 20, 1982
Approved for introduction by the Legislative Council pursuant to
Joint Rule 26.
Referred to the Committee on Business Legislation and 1,600 or-
9 dered printed. Sent down for concurrence.
MAY M. ROSS, Secretary of the Senate
Presented by Senator C. Sewall of Lincoln.

10
11 **STATE OF MAINE**
12

13 IN THE YEAR OF OUR LORD
14 NINETEEN HUNDRED AND EIGHTY-TWO
15

16 **AN ACT to Amend the Maine Consumer Credit**
17 **Code Regarding Educational Loans and**
18 **Cosigner Notices.**
19

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

23 Whereas, recent changes in the federal student loan
24 program provide for loans to be made to parents of students
25 as well as to students; and

26 Whereas, the interest rate on these federal loans has
27 increased to 14%; and

1 Whereas, the Maine Consumer Credit Code should be
2 amended to be consistent with federal law and to permit stu-
3 dents and parents of students to benefit from the changes in
4 the federal law; and

5 Whereas, in the judgment of the Legislature, these
6 facts create an emergency within the meaning of the Consti-
7 tution of Maine and require the following legislation as
8 immediately necessary for the preservation of the public
9 peace, health and safety; now, therefore,

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

11 **Sec. 1.** 9-A MRSA §1-202, sub-§7, as last amended by PL
12 1979, c. 541, Pt. A, §85, is further amended to read:

13 7. Loan. A loan made by a supervised financial orga-
14 nization or an institution of higher education when the loan
15 is a low interest educational loan made for the purpose of
16 financing expenses related to the borrower's or the borrow-
17 er's children's attendance at an institution of
18 post-secondary education, and on which the finance charge
19 does not exceed ~~7 1/2%~~ that rate per year on the unpaid bal-
20 ances of the amount financed or such finance charge in
21 excess thereof as the United States Secretary of Health,
22 Education and Welfare shall from time to time establish as
23 shall be established by federal law, and which is insured,
24 guaranteed or subsidized by the Federal Government or a
25 state or by a nonprofit private loan guaranty or organiza-
26 tion or by the institution of higher education itself or
27 through an endowment or trust fund affiliated with such an
28 institution; or

29 **Sec. 2.** 9-A MRSA §3-206, sub-§1, ~~¶B~~, as enacted by PL
30 1981, c. 264, §1, is amended to read:

31 B. The material disclosures required under Article ~~VII~~
32 VIII;

33 **Sec. 3.** 9-A MRSA §3-206, sub-§6 is enacted to read:

34 6. Application; exceptions. This section does not
35 apply to consumer credit transactions entered into pursuant
36 to an open-end credit plan or to open-end credit accounts,
37 except that, with respect to open-end credit accounts opened
38 after April 1, 1982, a creditor shall provide the notices,
39 information and copies referred to in subsection 1, para-
40 graph B; subsection 2, except paragraph C; and subsection 4

1 to any other debtor specified in subsection 1, prior to the
2 first extension of credit pursuant to the open-end account.

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

5 STATEMENT OF FACT

6 Section 1 of this bill amends the exemption for the
7 Maine Consumer Credit Code for student loans to be consist-
8 ent with federal law. The interest rate on federal loans
9 has increased to 14% and loans are now available to the par-
10 ents of students.

11 Sections 2 and 3 of the bill clarify the responsibili-
12 ties of creditors offering open-end credit under the
13 cosigner law. It eliminates disclosures that are inappli-
14 cable in the case of open-end credit and specifies the tim-
15 ing when disclosures must be made for credit. It requires
16 that disclosures be made before an account is used. This
17 parallels the timing for other disclosures under related
18 provisions of the Code. It eliminates confusion in the
19 statute relative to the possible need to make disclosures in
20 connection with each charge on open-end credit. No such
21 disclosures are required.

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