

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 197

6
7 H.P. 166

House of Representatives, January 17, 1983

8 Received by the Clerk of the House on January 17, 1983. Referred to the
9 Committee on Business Legislation, and ordered printed pursuant to Joint
Rule 14.

10 EDWIN H. PERT, Clerk

11 Presented by Representative Perkins of Brooksville.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Amend the Maine Consumer Credit
18 Code Regarding Refinancing Demand Loans
19 Secured by Securities.
20

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

23 9-A MRSA §2-504, first ¶, as amended by PL 1981,
24 c. 235, §3, is further amended to read:

25 Subject to section 2-308, with respect to a con-
26 sumer credit transaction, the creditor may, by agree-
27 ment with the consumer, refinance the unpaid balance
28 and may contract for and receive a finance charge
29 based on the amount financed resulting from the refi-
30 nancing at a rate not exceeding by 1% per year the
31 rate charged in the original agreement and stated to
32 the consumer pursuant to the provisions on disclo-
33 sure. This section shall not apply to consumer loans
34 in which the principle thereof is payable in a single

1 payment on demand or at a specified time and the
2 finance charge, calculated according to the actuarial
3 method, does not exceed 12 1/4% per year, or to con-
4 sumer loans which, at the time of refinancing, are
5 subject to the provisions of federal laws or regula-
6 tions governing interest on deposits, provided that
7 the difference between the rate of interest earned on
8 the savings or time deposit and the rate of interest
9 charged on the loan secured by that deposit does not
10 exceed the difference between the rate of interest
11 earned on the savings or time deposit and the rate of
12 interest charged on the loan secured by that deposit
13 for the loan that is being refinanced. This section
14 also does not apply to consumer loans in which the
15 principal is payable in a single payment on demand or
16 at a specified time and the debt is secured by an
17 interest in securities, bonds, debentures or other
18 corporate obligations. For the purpose of determin-
19 ing the finance charge permitted, the amount financed
20 resulting from the refinancing comprises the follow-
21 ing:

22 STATEMENT OF FACT

23 The purpose of this bill is to remove the 1% per
24 year refinancing limitation on consumer loans which
25 are secured by securities. Consumers who pledge
26 securities to secure loans are generally sophis-
27 ticated consumers who are making well-informed deci-
28 sions. These consumers could go to another bank and
29 refinance the loan at a higher rate, it is not
30 reasonable to prohibit refinancing at a higher rate
31 at the same institution.

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