

1 2	FIRST REGULAR SESSION
3 4	ONE HUNDRED AND ELEVENTH LEGISLATURE
5 6	Legislative Document No. 225
7	S.P. 94 In Senate, January 18, 1983
8 9	Received by the Secretary of the Senate on January 18, 1983. Referred to the Committee on Business Legislation, and ordered printed pursuant to Joint Rule 14.
10	JOY J. O'BRIEN, Secretary of the Senate
11	Presented by Senator Sewall of Lincoln.
12 13	STATE OF MAINE
14 15 16	IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-THREE
17 18 19	AN ACT to Amend the Mortgage Exemption in the Maine Consumer Credit Code.
20 21	Be it enacted by the People of the State of Maine as follows:
22	9-A MRSA §1-202, sub-§10 is enacted to read:
23 24 25 26	10. A loan made by a supervised financial orga- nization when the loan is secured by a junior mort- gage on real estate and any one of the following con- ditions are met:
27 28	A. The loan is acceptable for sale on the secondary market;
29 30	B. The purpose of the loan is for home improve- ment;
31 32	C. The purpose of the loan is to finance educa- tional expenses;

- 1D. The loan is made pursuant to a program which2provides for retirement benefits to the borrower;3or
- E. The loan is made by the same supervised
   financial organization which holds the first
   mortgage.
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## STATEMENT OF FACT

8 This bill exempts certain categories of junior 9 mortgages from the Maine Consumer Credit Code. 10 Truth-in-lending disclosures would still be given in 11 these loan transactions under the Revised Statutes, 12 Article VIII. These categories of loans Title 9-A, 13 present no opportunity for abuse by the supervised financial organization and should be exempt. 14

Loans to be sold to the secondary market must be on standard forms. Sale to the secondary market means that the lender has additional capital available to lend to other Maine homeowners.

Home improvement loans should be exempt because they improve both the investment of the borrower and the security of the first mortgagee and do not represent a traditional "consumer" purpose.

Educational loans should be exempt because capital should be freely available for this purpose and borrowers should be able to take advantage of the equity in their homes to finance education.

Loans to provide for retirement benefits should
be exempt from the Maine Consumer Credit Code so that
capital is made available for them. These programs
are important to retiring borrowers.

Loans made by the same bank which holds the first mortgage should be exempt from the Maine Consumer Credit Code because first mortgages are exempt and holding the first and 2nd is equivalent to holding the first alone. When a bank holds the first mortgage it has an interest in the secured property and 1 in the transaction which makes consumer abuse 2 unlikely and which makes the bank less likely to 3 foreclose than other creditors which take a second 4 mortgage.

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