

# MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION  
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE  
4

5 Legislative Document

No. 588

7 S.P. 225

In Senate, February 19, 1985

8 Reference to the Committee on Business and Commerce suggested and  
9 ordered printed.

10 JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Bustin of Kennebec.

11  
12 STATE OF MAINE  
13

14 IN THE YEAR OF OUR LORD  
15 NINETEEN HUNDRED AND EIGHTY-FIVE  
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17 AN ACT to Amend the Maine Consumer Credit  
18 Code.  
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20 Be it enacted by the People of the State of Maine as  
21 follows:

22 9-A MRSA §2-307, sub-§2, as amended by PL 1981,  
23 c. 470, Pt. A, §18, is further amended to read:

24 2. With respect to a supervised loan in which  
25 the amount financed is \$1,000 or less, a lender may  
26 not take a security interest in the principal resi-  
27 dence of the consumer. This subsection does not apply  
28 when the lender holds a first mortgage on the resi-  
29 dence at the time the loan is made nor when the loan  
30 is made pursuant to an open-end credit plan having a  
31 credit limit in excess of \$1,000.

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STATEMENT OF FACT

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The Maine Revised Statutes, Title 9-A, section 2-307, subsection 2, is intended to prohibit small loans secured by the principal residence of a consumer. This subsection could be construed to require that open-end lines of credit, which are secured by 2nd mortgages, must require the consumer to take advances in amounts of \$1,000 or more every time the consumer wants any amount on the line of credit.

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Since loan arrangements involved are typically substantial lines of credit of \$5,000 or more, they are not "small loans" which should be subject to the \$1,000 minimum. In addition, separate advances under a single line of credit should not be treated as individual "small loans" subject to a provision intended to address one-time small loan transactions.

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