

MAINE STATE LEGISLATURE

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(EMERGENCY)
(After Deadline)
FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

NO. 1343

H.P. 997 House of Representatives, April 23, 1987
Approved for introduction by a majority of the
Legislative Council pursuant to Joint Rule 27.
Reference to the Committee on Economic Development
suggested and ordered printed.

EDWIN H. PERT, Clerk
Presented by Representative GOULD of Greenville.
Cosponsored by President PRAY of Penobscot,
Representatives THISTLE of Dover-Foxcroft and HUSSEY of Milo.

STATE OF MAINE

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

1 AN ACT to Provide Assistance to Victims of
2 Natural Disasters.
3

4 **Emergency preamble.** Whereas, Acts of the Legis-
5 lature do not become effective until 90 days after
6 adjournment unless enacted as emergencies; and

7 Whereas, the damages and losses resulting from
8 the great flood of April 1987 are substantial and re-
9 quire the immediate use of state resources; and

10 Whereas, in the judgment of the Legislature,
11 these facts create an emergency within the meaning of
12 the Constitution of Maine and require the following
13 legislation as immediately necessary for the preser-

1 vation of the public peace, health and safety; now,
2 therefore,

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

5 Sec. 1. 10 MRSA c. 110, sub-c. 1-C is enacted to
6 read:

7 SUBCHAPTER 1-C

8 NATURAL DISASTER BUSINESS ASSISTANCE

9 §1011. Natural Disaster Business Assistance Fund

10 1. Fund established. The Natural Disaster Busi-
11 ness Assistance Fund is established under the juris-
12 isdiction of the Finance Authority of Maine.

13 2. Sources of fund. The following shall be paid
14 into the fund:

15 A. All money appropriated for inclusion in the
16 fund;

17 B. Subject to any pledge, contract or other ob-
18 ligation, any money which the authority receives
19 in repayment of loans or advances from the fund;

20 C. Subject to any pledge, contract or other ob-
21 ligation, all interest, dividends or other income
22 from investment of the fund; and

23 D. Any other money, including federal money, de-
24 posited in the fund to implement the provisions
25 of this subchapter.

26 3. Application of fund. The authority may apply
27 money in the fund for purposes authorized by this
28 subchapter. Money in the fund not needed currently
29 for purposes of this subchapter may be deposited with
30 the authority to the credit of the fund or may be in-
31 vested in such a manner as is provided by law.

32 4. Accounts within fund. The authority may di-
33 vide the funds into such separate accounts as it de-

1 termines necessary or convenient for carrying out
2 this subchapter.

3 5. Revolving fund. The fund shall be a nonlaps-
4 ing revolving fund. All money in the fund shall be
5 continuously applied by the authority to carry out
6 this subchapter.

7 6. Commitment and administrative fees. The au-
8 thority may fix commitment fees in an amount not to
9 exceed 1% of the initial principal amount of a loan
10 made or insured under this subchapter. These fees
11 shall be deposited into the fund created under this
12 section.

13 §1012. Maine Natural Disaster Business Assistance
14 Program

15 The Maine Natural Disaster Business Assistance
16 Program shall provide assistance to businesses that
17 are victims of natural disasters which have caused
18 the State or portions of the State to be declared di-
19 saster areas by the President of the United States or
20 his authorized representative.

21 1. Operation. The authority shall administer
22 the Maine Natural Disaster Business Assistance Pro-
23 gram which may be operated in conjunction with other
24 programs of the authority. Other programs of the au-
25 thority may be used to supplement or be used in
26 conjunction with the Maine Natural Disaster Business
27 Assistance Program to achieve the purpose of this
28 subchapter.

29 A. Money in the fund may be used as security for
30 or be applied in payment of principal, interest,
31 fees and other charges due on loans made or in-
32 sured under this program.

33 B. Money in the fund may be used as grants to
34 assist businesses which qualify for grant assist-
35 ance under this program.

36 C. Money in the fund may be matched with federal
37 money and money of political subdivisions of the
38 State to obtain federal natural disaster relief
39 and assistance.

1 2. Provisions governing use of money. The fund
2 shall be administered subject to the restrictions and
3 limitations in this section. The fund shall be used
4 primarily to assist businesses which are not ade-
5 quately assisted by federal or other disaster funds
6 and to assist firms which will fail as a result of
7 the level of all types of assistance available to the
8 firm.

9 A. The authority, by rules adopted in accordance
10 with the Maine Administrative Procedure Act, Ti-
11 tle 5, chapter 375, shall establish priorities of
12 assistance to businesses. These priorities shall
13 be based on business assets; number of employees;
14 economic impact of the business on a municipality
15 and region; availability of credit or assistance
16 from other sources, including financial institu-
17 tions, parent firms and subsidiaries; degree of
18 damage or loss; the economic condition of the ar-
19 ea in which the firm is located; and any other
20 variables deemed important by the authority.

21 B. Grants may be provided to a business for
22 which the grant is essential to the successful
23 continued operation of the business, because re-
24 payment of loans above a specified amount will
25 cause the business to fail or go out of business
26 or the other sources of credit and capital are
27 unavailable to the business. The authority may
28 provide grants to businesses which are important
29 to the local economy and which will go out of
30 business as a result of the inability to pay
31 principal and interest on any additional loans to
32 the existing ones incurred by the business.

33 C. Loans from the fund shall not exceed \$50,000
34 per business recipient at rates of interest not
35 to exceed 8% per year.

36 D. Loans from the fund may be made for periods
37 of up to 10 years. In the event that a firm can-
38 not repay a loan in full within the 10-year peri-
39 od, the authority may extend the repayment period
40 if the authority determines that the loan can be
41 repaid during the extension period without jeop-
42 ardizing the operation of the business. The au-
43 thority may waive the payment of interest on any

1 loan or portion of a loan for which the interest
2 payment will be an undue hardship or jeopardize
3 the continued operation of the business.

4 E. Money in the fund may be used to reduce in-
5 terest rates on loans provided by financial in-
6 stitutions located in this State to businesses
7 that are victims of natural disasters. Money
8 used to reduce interest rates shall reduce the
9 interest rates to 3% per year over the life of
10 the loan.

11 F. Loans qualifying under this subchapter in-
12 clude loans for construction or reconstruction,
13 replacement of stock and inventory, refinancing
14 of existing real estate mortgages of businesses,
15 including additional financing for damages and
16 losses incurred from natural disasters, replace-
17 ment of equipment and any other loans required by
18 a business to recover from the effects of a natu-
19 ral disaster.

20 G. The program shall be directed primarily at
21 firms without access to adequate capital or cred-
22 it and which are important to the local economy
23 or perform an important service in the local
24 economy.

25 3. Loan insurance. The authority may insure
26 payments due under a loan or lease and may pledge
27 money in the fund as security for such loan or lease,
28 which may be in addition to or in lieu of insurance
29 provided under other provisions of this chapter.
30 Loans or leases shall not constitute any debt or lia-
31 bility on the part of the authority or the State, ex-
32 cept to the extent specifically provided by contract
33 executed by the authority.

34 4. Procedures. The authority may adopt rules in
35 accordance with the Maine Administrative Procedure
36 Act, Title 5, chapter 375, by which the program shall
37 be implemented.

38 Sec. 2. 30 MRSA c. 239, sub-c. II, article 6-A
39 is enacted to read:

40 ARTICLE 6-A

1 NATURAL DISASTER HOME ASSISTANCE PROGRAM

2 §4770-A. Natural Disaster Home Assistance Fund

3 1. Creation. The Natural Disaster Home Assist-
4 ance Fund is established under the jurisdiction of
5 the Maine State Housing Authority. For the purposes
6 of this article, "authority" means the Maine State
7 Housing Authority.

8 2. Sources of fund. The following shall be paid
9 into the fund:

10 A. All money appropriated for inclusion in the
11 fund;

12 B. Subject to any pledge, contract or other ob-
13 ligation, any money which the authority receives
14 in repayment of loans or advances from the fund;

15 C. Subject to any pledge, contract or other ob-
16 ligation, all interest, dividends or other income
17 from investment of the fund; and

18 D. Any other money, including federal money, de-
19 posited in the fund to implement the provisions
20 of this article.

21 3. Application of fund. The authority may apply
22 money in the fund for purposes authorized by this ar-
23 ticle. Money in the fund not needed currently for
24 purposes of this article may be deposited with the
25 authority to the credit of the fund or may be in-
26 vested in such a manner as is provided by law.

27 4. Accounts within fund. The authority may di-
28 vide the funds into such separate accounts as it de-
29 termines necessary or convenient for carrying out
30 this article.

31 5. Revolving fund. The fund shall be a nonlaps-
32 ing revolving fund. All money in the fund shall be
33 continuously applied by the authority to carry out
34 this article.

35 6. Commitment and administrative fees. The au-
36 thority may fix commitment fees in an amount not to

1 exceed 1% of the initial principal amount of a loan
2 made or insured under this article. These fees shall
3 be deposited into the fund created under this sec-
4 tion.

5 §4770-B. Maine Natural Disaster Home Assistance Pro-
6 gram

7 The Maine Natural Disaster Home Assistance Pro-
8 gram shall provide assistance to homeowners and ten-
9 ants who are victims of natural disasters which have
10 caused the State or portions of the State to be de-
11 clared disaster areas by the President of the United
12 States or his authorized representative.

13 1. Operation. The authority shall administer
14 the Maine Natural Disaster Home Assistance Program
15 which may be operated in conjunction with other pro-
16 grams of the authority. Other programs of the au-
17 thority may be used to supplement or be used in
18 conjunction with the Maine Natural Disaster Home As-
19 istance Program to achieve the purpose of this arti-
20 cle.

21 A. Money in the fund may be used as security for
22 or be applied in payment of principal, interest,
23 fees and other charges due on loans made or in-
24 sured under this program.

25 B. Money in the fund may be used as grants to
26 assist homeowners and tenants who qualify for
27 grant assistance under this program.

28 C. Money in the fund may be matched with federal
29 money and money of political subdivisions of the
30 State to obtain federal natural disaster relief
31 and assistance.

32 2. Provisions governing use of money. The fund
33 shall be administered subject to the provisions in
34 this section. Priority shall be given to homeowners
35 and tenants who are not adequately assisted by feder-
36 al or other disaster funds and who do not have access
37 to adequate capital or credit to recover from the ef-
38 fects of the disaster. For the purposes of this arti-
39 cle, homeowner includes the owner of a mobile home
40 and a manufactured housing unit.

1 A. The authority, by rules adopted in accordance
2 with the Maine Administrative Procedure Act, Title
3 5, chapter 375, shall establish priorities of
4 assistance to homeowners and tenants. These pri-
5 orities shall be based on the assets of the
6 homeowner or tenant; availability of credit or
7 assistance or income from other sources, includ-
8 ing financial institutions, federal relief pro-
9 grams, investments, trust funds and other similar
10 sources; the degree of damage incurred; the imme-
11 diacy of the need for assistance; and any other
12 variables deemed important by the authority.

13 B. Grants may be provided to a homeowner or ten-
14 ant if:

15 (1) The grant is essential to providing
16 housing to the homeowner or tenant; and

17 (2) The income of the homeowner or tenant
18 is insufficient to repay any loan or portion
19 of a loan.

20 C. Loans from the fund shall not exceed \$50,000
21 per homeowner household and \$15,000 per tenant
22 household at rates of interest not to exceed 8%
23 per year.

24 D. Loans from the fund may be made for periods
25 of up to 20 years. In the event that a homeowner
26 cannot repay a loan in full within the 20-year
27 period, the authority may extend the repayment
28 period if the authority determines that the loan
29 can be repaid during the extension period. The
30 authority may waive the payment of interest on
31 any loan or portion of a loan for which the in-
32 terest payment will be an undue hardship on a
33 household.

34 E. Money in the fund may be used to reduce in-
35 terest rates on loans provided by financial in-
36 stitutions located in this State to homeowners
37 and tenants who are victims of natural disasters.
38 Money used to reduce interest rates on loans pur-
39 suant to this article shall reduce the interest
40 rates to 3% per year over the life of the loan.

1 F. The program shall be directed primarily at
2 households without access to adequate capital or
3 credit and which have experienced significant
4 damage to or loss of their housing.

5 3. Loan insurance. The authority may insure
6 payments due under a loan or lease and may pledge
7 money in the fund as security for such loan or lease,
8 which may be in addition to or in lieu of insurance
9 provided under other provisions of this chapter.
10 Loans or leases shall not constitute any debt or lia-
11 bility on the part of the authority or the State, ex-
12 cept to the extent specifically provided by contract
13 executed by the authority.

14 4. Use of loans and grants. Loans and grants
15 provided in this article may be used for refinancing
16 mortgages, payment of interest or portion of interest
17 on loans, home construction, home improvements and
18 replacement of personal items and household furnish-
19 ings.

20 5. Procedures. The authority may adopt rules in
21 accordance with the Maine Administrative Procedure
22 Act, Title 5, chapter 375, by which the program shall
23 be implemented.

24 Sec. 3. Appropriation. The following funds are
25 appropriated from the Rainy Day Fund in the General
26 Fund to carry out the purposes of this Act.

27 1986-87

28	<u>FINANCE,</u>	
29	<u>DEPARTMENT OF</u>	
30	Unallocated	(\$4,000,000)
31	<u>FINANCE AUTHORITY</u>	
32	<u>OF MAINE</u>	
33	Natural Disaster Business	
34	Assistance Fund	
35	All Other	\$2,000,000

1 Transfers \$2,000,000
2 from the Rainy Day
3 Fund to the Finance
4 Authority of Maine
5 for the Natural Di-
6 saster Business As-
7 sistance Fund. Of
8 this amount,
9 \$1,000,000 shall be
10 used to reduce rates
11 of interest on loans
12 provided by finan-
13 cial institutions to
14 businesses for
15 losses and damages
16 incurred as a result
17 of the April 1987
18 flood. In addition,
19 \$1,000,000 shall be
20 made available as
21 grants provided in
22 the Maine Revised
23 Statutes, Title 10,
24 chapter 110, sub-
25 chapter 1-C.

26 MAINE STATE
27 HOUSING AUTHORITY

28 Natural Disaster Home
29 Assistance Fund

30 All Other \$2,000,000

1 Transfers \$2,000,000
2 from the Rainy Day
3 Fund to the Natural
4 Disaster Home As-
5 sistance Fund of the
6 Maine State Housing
7 Authority. Of this
8 amount, \$1,000,000
9 shall be used to re-
10 duce rates of inter-
11 est on loans pro-
12 vided by financial
13 institutions to
14 homeowners and ten-
15 ants for losses and
16 damages incurred as
17 a result of the
18 April 1987 flood.
19 In addition,
20 \$1,000,000 shall be
21 made available as
22 grants provided in
23 the Maine Revised
24 Statutes, Title 30,
25 chapter 239, sub-
26 chapter II, article
27 6-A.

28 **Emergency clause.** In view of the emergency cited
29 in the preamble, this Act shall take effect when ap-
30 proved.

1

STATEMENT OF FACT

2 This bill creates a Natural Disaster Assistance
3 Program to address losses and damages in the State
4 resulting from natural disasters which qualify the
5 State or portions of the State as a natural disaster
6 area as declared by the President of the United
7 States or his authorized representative. The Natural
8 Disaster Assistance Program consists of a Natural Dis-
9 aster Business Assistance Program administered by
10 the Finance Authority of Maine and the Natural Di-
11 saster Home Assistance Program administered by the
12 Maine State Housing Authority.

13 Each agency is responsible for administering nat-
14 ural disaster assistance funds to assist businesses,
15 homeowners and tenants who are victims of natural di-
16 sasters. Homeowner includes an owner of a mobile
17 home and an owner of a manufactured housing unit.

18 Priority is given to persons and businesses which
19 have limited or no access to capital and credit.

20 The bill transfers \$4,000,000 from the Rainy Day
21 Fund and appropriates \$2,000,000 to the Natural Dis-
22 aster Business Assistance Fund within the Finance
23 Authority of Maine, FAME, and \$2,000,000 to the Natu-
24 ral Disaster Home Assistance Fund within the Maine
25 State Housing Authority. The Finance Authority of
26 Maine is authorized to use \$1,000,000 to reduce rates
27 of interest on loans provided by financial institu-
28 tions to Maine businesses to address damages and
29 losses resulting from the great flood of April 1987.
30 Interest rates will be reduced to 3% per year over
31 the life of the bank loan. The Finance Authority of
32 Maine is also authorized to provide \$1,000,000 in
33 grants to businesses which will be unable to continue
34 if they incur any loans or loans above a specific
35 amount.

36 The Maine State Housing Authority is authorized
37 to expend \$1,000,000 to reduce interest rates on bank
38 loans to homeowners and tenants as a result of flood
39 damages and losses. Interest rates will be reduced
40 to 3% over the life of the loan. The Maine State
41 Housing Authority is also authorized to provide

1 \$1,000,000 in grants to homeowners and tenants, par-
2 ticularly those who do not have access to adequate
3 capital and credit.

4 This bill also contains enabling provisions to
5 allow the Finance Authority of Maine and the Maine
6 State Housing Authority to undertake a variety of re-
7 medial actions to address future natural disasters.
8 The appropriation section of this bill and future
9 bills governs the use of the money appropriated to
10 the natural disaster assistance funds.

11 In this bill, neither the Finance Authority of
12 Maine nor the Maine State Housing Authority makes
13 loans to recipients. The money will be used primari-
14 ly to reduce interest rates to 3% per year on bank
15 loans to businesses, homeowners and tenants. This
16 will create roughly \$20,000,000 to \$30,000,000 of as-
17 sistance to Maine citizens.

18 The Finance Authority of Maine and the Maine
19 State Housing Authority may make grants to busi-
20 nesses, homeowners and tenants which do not have ac-
21 cess or very limited access to capital and credit and
22 for whom federal assistance is inadequate.

23

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