

# MAINE STATE LEGISLATURE

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# 118th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1997

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Legislative Document

No. 666

S.P. 207

In Senate, January 30, 1997

**An Act to Amend the Maine Consumer Credit Code to Permit Reverse Mortgages.**

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Reference to the Committee on Banking and Insurance suggested and ordered printed.

A handwritten signature in cursive script, reading "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator LaFOUNTAIN of York.

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

4 **Sec. 1. 9-A MRSA §1-202, sub-§8, ¶A, as amended by PL 1987, c. 396, §2, is further amended to read:**

6 A. With respect to advances of additional funds on the loan  
8 or credit sale made more than 30 days after the initial  
advance, this exclusion shall-apply applies only to advances  
made:

10 (1) Pursuant to the terms of a construction financing  
12 agreement;

14 (2) To protect the security or to perform the  
covenants of the consumer;

16 (3) As negative amortization of principal under the  
18 terms of the financing agreement; or

20 (4) From funds withheld at consummation pending the  
22 resolution of matters which that otherwise would tend  
to delay or prevent closing, including, without  
24 limitation, remedy of title defects or repairs to meet  
appraisal standards; or

26 (5) Pursuant to the terms of a reverse mortgage  
28 transaction, as defined in section 8-103, subsection 1,  
paragraph H-1, if the transaction is made pursuant to a  
30 commitment to purchase issued by, or is in a form  
approved for purchase by, any state or federal agency,  
32 instrumentality or government-sponsored enterprise,  
including, without limitation, the Federal National  
34 Mortgage Association or the Federal Home Loan Mortgage  
Corporation;

36 **SUMMARY**

38 The Maine Consumer Credit Code currently excludes first  
40 mortgage residential financing from rate ceilings and other  
substantive limitations. That exclusion does not extend to  
42 open-end loans where advances are made more than 30 days after  
closing. Federal secondary market agencies are now offering  
44 special open-end financing programs for elderly residents who  
wish to "unlock" their home equity but not be required to make  
46 any payments unless and until they sell the residence or die.  
These are known as "reverse mortgages" or "reverse annuity  
48 mortgages" under which an elderly person may receive monthly  
payments for life, remain at home and have no liability except  
50 for the value of the home. Maine's truth-in-lending laws have

2 already been amended to permit these loans. This bill eliminates  
the sole remaining obstacle to the offering of these programs in  
4 Maine by amending the Maine Consumer Credit Code to treat reverse  
mortgages under the same rules as all other first mortgage  
6 programs, thereby allowing the new programs to be offered to  
Maine's elderly.