

MAINE STATE LEGISLATURE

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L.D. 1638

2 DATE: 2-4-04

(Filing No. S-378)

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INSURANCE AND FINANCIAL SERVICES

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**STATE OF MAINE
SENATE
121ST LEGISLATURE
SECOND SPECIAL SESSION**

COMMITTEE AMENDMENT "A" to S.P. 602, L.D. 1638, Bill, "An Act To Amend the Maine Consumer Credit Code Regarding Balloon Payments"

Amend the bill by striking out everything after the title and before the summary and inserting in its place the following:

'Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, current Maine law prohibits automobile dealers from offering consumers a motor vehicle loan involving a final balloon payment unless the term of the loan is for a minimum period of 4 years; and

Whereas, this statutory provision puts Maine automobile dealers at a competitive disadvantage and limits the financing options that dealers can make available to consumers; and

Whereas, this legislation would allow Maine automobile dealers to offer financing options with balloon payments for terms of less than 4 years if the contract contains adequate protections for Maine consumers, including the right to return the vehicle in lieu of the final payment; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

COMMITTEE AMENDMENT

1015

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

4 **Sec. 1. 9-A MRSA §3-308, sub-§4,** as amended by PL 1997, c. 94,
6 §2, is further amended to read:

8 4. A schedule of payments may require a final payment not
10 substantially equal to all other periodic payments if the
12 transaction is made for a term of not less than 4 years and if
14 the contract evidencing the consumer credit transaction gives the
16 consumer the right to refinance the amount of the final payment
18 in order to fully amortize the obligation on terms then generally
20 offered by the creditor, if the consumer satisfies reasonable
22 credit standards and if the property satisfies reasonable ~~loan-to~~
24 value loan-to-value standards. The administrator shall examine
26 the reasonableness of standards during regular examinations and
28 upon consumer complaint. At least 60 days but not more than 180
days prior to the maturity of the loan, the creditor must notify
the consumer in writing of the maturity date and the amount due
on the maturity date. The 4-year limitation does not apply to a
consumer credit transaction secured by a motor vehicle if the
contract evidencing the transaction otherwise conforms to the
requirements of this section and also permits the consumer to
transfer the motor vehicle to the creditor in lieu of making the
final payment without further liability, except that the contract
may provide for the assessment against the consumer of a
reasonable disposition fee or reasonable charges for excess
mileage, excess wear and tear or damage to the motor vehicle; and

30 **Emergency clause.** In view of the emergency cited in the
32 preamble, this Act takes effect when approved.'

34 **SUMMARY**

36 This amendment replaces the bill. The amendment clarifies
38 that a motor vehicle lease or loan is not subject to the 4-year
40 minimum term for consumer credit transactions with balloon
42 payments if the lease or loan gives consumers the right to
refinance the final payment or transfer the motor vehicle back to
the creditor in lieu of the final payment.

44 The amendment also adds an emergency preamble and emergency
clause.

46 **FISCAL NOTE REQUIRED**
(See attached)

Approved: 01/22/04 *MAC*

**121st Maine Legislature
Office of Fiscal and Program Review**



LD 1638

An Act To Amend the Maine Consumer Credit Code Regarding Balloon Payments

LR 2481(02)

**Fiscal Note for Bill as Amended by Committee Amendment *A*
Committee: Insurance and Financial Services**

Fiscal Note Required: Yes

Fiscal Note

Minor cost increase - Other Special Revenue Funds

Fiscal Detail and Notes

Any additional costs to the Department of Professional and Financial Regulation in implementing this bill can be absorbed by the Department utilizing existing resources.