

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

FIRST REGULAR SESSION-2017

Legislative Document

No. 1164

S.P. 385

In Senate, March 23, 2017

An Act To Facilitate Small Loans in Maine

Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Senator CUSHING of Penobscot.

Cosponsored by Senator: WHITTEMORE of Somerset, Representative: WALLACE of Dexter.

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

2 **Sec. 1. 9-A MRSA §2-311** is enacted to read:

3 **§2-311. Small loan requirements**

4 A lender providing a small loan must comply with the following requirements. For
5 purposes of this section, "small loan" means a loan in an amount of \$2,000 or less.

6 1. The term for a small loan must be at least 50 days for a loan amount of \$1,000 or
7 less and at least 6 months for a loan amount greater than \$1,000 and less than or equal to
8 \$2,000.

9 2. The interval between payments for a small loan may be agreed upon by the
10 parties, except that intervals between payments must be substantially equal with
11 reasonable variance for the first payment and nonbusiness days.

12 3. Installment payments for a small loan must be substantially equal and fully
13 amortizing over the contracted term. For closed-end credit, the contracted term may not
14 exceed 24 months. For a line of credit, the minimum payments due must be substantially
15 equal and fully amortizing based on a period not to exceed 12 months. For any new
16 draws under the line of credit, a lender shall recalculate installment payments for a period
17 not to exceed 12 months.

18 4. The amount of a borrower's payments coming due within a calendar month with
19 respect to a small loan may not exceed 10% of the borrower's gross monthly income as
20 evidenced by the borrower's pay stub or other equivalent proof of income.

21 5. A borrower may cancel a small loan and avoid the payment of finance charges by
22 returning the amount financed to the lender providing the small loan by the end of the
23 next business day after the origination of the small loan.

24 6. A lender providing a small loan may not take personal or real property as
25 collateral from the borrower as security for payment of the small loan.

26 7. A lender providing a small loan may not charge any fees related to insurance in
27 connection with the origination of the small loan.

28 **Sec. 2. 9-A MRSA §2-401, sub-§2**, as amended by PL 1997, c. 727, Pt. B, §10,
29 is further amended to read:

30 2. With respect to a consumer loan, ~~other than a loan pursuant to open-end credit~~
31 unless otherwise provided in this Part, a lender may contract for and receive a finance
32 charge calculated according to the actuarial method, not exceeding the equivalent of the
33 following:

34 A. The total of:

35 (i) 30% per year on that part of the unpaid balances of the amount financed that
36 is \$2,000 or less;

- 1 (ii) 24% per year on that part of the unpaid balances of the amount financed that
2 is more than \$2,000 but does not exceed \$4,000; and
3 (iii) 18% per year on that part of the unpaid balances of the amount financed that
4 is more than \$4,000.

5 Notwithstanding paragraph A, with respect to a consumer loan in which the amount
6 financed exceeds \$8,000, a lender may not contract for and receive a finance charge
7 calculated according to the actuarial method in excess of 18% per year on the entire
8 amount of the loan.

9 **Sec. 3. 9-A MRSA §2-402, sub-§1**, as amended by PL 1987, c. 129, §44, is
10 further amended to read:

11 **1.** With respect to loans made on open-end credit, a creditor may contract for and
12 receive a finance charge not in excess of that permitted in this section unless otherwise
13 provided in this Part.

14 **Sec. 4. 9-A MRSA §2-403** is enacted to read:

15 **§2-403. Finance charge for small loans**

16 A supervised lender offering a small loan in compliance with the requirements under
17 section 2-311 may charge the following fees in addition to the interest rate allowed under
18 sections 2-401 and 2-402:

19 **1.** An origination fee not to exceed 10% of the principal amount. The origination fee
20 may be considered a prepaid finance charge and is not subject to refund upon prepayment
21 in full; and

22 **2.** A monthly maintenance fee not to exceed 15% of the average principal loan
23 amount outstanding for that month. The monthly maintenance fee is earned and may be
24 charged for each month the loan is outstanding.

25 **SUMMARY**

26 This bill amends the Maine Consumer Credit Code. It enacts requirements for loans
27 of \$2,000 or less and it authorizes consumer loan lenders and open-end credit creditors to
28 charge origination fees and monthly maintenance fees.