

MAINE STATE LEGISLATURE

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Date: 4/29/21

(Filing No. S-65)

HEALTH COVERAGE, INSURANCE AND FINANCIAL SERVICES

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**STATE OF MAINE
SENATE
130TH LEGISLATURE
FIRST SPECIAL SESSION**

COMMITTEE AMENDMENT "A" to S.P. 205, L.D. 522, "An Act To Cap Interest Rates for Consumer Debt"

Amend the bill by striking out the title and substituting the following:

'An Act To Protect Consumers against Predatory Lending Practices'

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 9-A MRSA Art. 2, Pt. 7 is enacted to read:

PART 7

FRAUDULENT PRACTICES

§2-701. Engaging in pretense to evade requirements of this Article prohibited

An entity covered by this Article may not engage in any device, subterfuge or pretense to evade the requirements of this Article, including, but not limited to, making a loan disguised as a personal property sale and leaseback transaction, disguising loan proceeds as a cash rebate for the pretextual installment sale of goods or services or making, offering, assisting or arranging a debtor to obtain a loan with a greater rate of interest, consideration or charge than is permitted by this Article through any method. A loan made in violation of this Part is void and uncollectible as to any principal, fee, interest or charge.

§2-702. Purporting to act as agent or service provider for another entity exempt from this Article

A person is a lender subject to the requirements of this Article notwithstanding the fact that the person purports to act as an agent or service provider or in another capacity for another entity that is exempt from this Article, if, among other things:

- 1. The person holds, acquires or maintains, directly or indirectly, the predominant economic interest in the loan;

1 2. The person markets, brokers, arranges or facilitates the loan and holds the right,
 2 requirement or first right of refusal to purchase the loan or a receivable or interest in the
 3 loan; or

4 3. The totality of the circumstances indicate that the person is the lender and the
 5 transaction is structured to evade the requirements of this Article. Circumstances that weigh
 6 in favor of a person being a lender include, without limitation, when the person:

7 A. Indemnifies, insures or protects an exempt entity for any costs or risks related to
 8 the loan;

9 B. Predominantly designs, controls or operates the loan program; or

10 C. Purports to act as an agent or service provider or in another capacity for an exempt
 11 entity while acting directly as a lender in other states.

12 **Sec. 2. 9-A MRSA §5-201, sub-§2**, as amended by PL 1993, c. 496, §1, is further
 13 amended to read:

14 2. If a creditor has violated the provisions of this Act applying to authority to make
 15 supervised loans, section 2-301, the debtor is not obligated to pay ~~any application fee,~~
 16 ~~prepaid finance charge or closing cost, nor the loan finance charge owed for the first 12~~
 17 ~~months of the loan. If the debtor has paid any part of the application fee, prepaid finance~~
 18 ~~charge, closing cost or loan finance charge owed for the first 12 months of the loan, the~~
 19 debtor has a right to recover the payment from the person violating this Act or from an
 20 assignee of that person's rights who undertakes direct collection of payments or
 21 enforcement of rights arising from the debt. With respect to violations arising from loans
 22 made pursuant to open-end credit, no action pursuant to this subsection may be brought
 23 more than 2 years after the violation occurred. With respect to violations arising from other
 24 loans, no action pursuant to this subsection may be brought more than one year after the
 25 due date of the last scheduled payment of the agreement pursuant to which the charge was
 26 paid.

27 **Sec. 3. 9-A MRSA §5-201, sub-§2-A** is enacted to read:

28 2-A. If a lender has violated the provisions of this Act applying to authority to make
 29 supervised loans as set forth in section 2-301, the lender:

30 A. May not furnish information concerning a debt associated with that violation to a
 31 consumer reporting agency, as defined in Title 10, section 1308, subsection 3; and

32 B. May not refer a debt associated with that violation to a debt collector, as defined in
 33 Title 32, section 11002, subsection 6.

34 **Sec. 4. Short-term, small dollar loan study.** The Department of Professional
 35 and Financial Regulation, Bureau of Consumer Credit Protection shall study the use by
 36 Maine residents of short-term, small dollar loans in accordance with this section. In
 37 conducting the study, the bureau shall seek input from consumer advocates, regulators in
 38 other states, federal regulatory agencies, members of the lending industry and other
 39 interested parties.

40 1. At a minimum, the study must include the following:

41 A. A survey of the laws of other New England states related to maximum interest rates,
 42 permitted fees and finance charges and other provisions regulating consumer debt;

R O F S

- 1 B. A survey of other policies that help consumers avoid the debt trap, including
- 2 prohibitions on postdated checks or loan limits accompanied by cooling-off periods;
- 3 C. A review of complaints from Maine consumers and a survey of credit counselors
- 4 and nonprofit organizations that provide legal or other assistance to Maine consumers
- 5 to provide insight into the types of debt that are causing the most difficulty to Maine
- 6 consumers; and
- 7 D. An analysis of the extent to which lenders and other entities use the provisions of
- 8 the Maine Revised Statutes, Title 9-A, section 2-201, subsection 6 to receive a
- 9 minimum charge on short-term, small dollar loans and the impact of those minimum
- 10 charges on overall interest rates charged to Maine consumers.
- 11 2. The bureau shall submit the report, including any suggested legislation, to the Joint
- 12 Standing Committee on Health Coverage, Insurance and Financial Services no later than
- 13 December 1, 2021. The Joint Standing Committee on Health Coverage, Insurance and
- 14 Financial Services may submit a bill to the Second Regular Session of the 130th Legislature
- 15 in response to the report.'
- 16 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section
- 17 number to read consecutively.

18

SUMMARY

19 This amendment replaces the bill and changes the title. The amendment prohibits

20 certain actions in the making of consumer loans to protect consumers from fraudulent

21 practices and other violations of the Maine Consumer Credit Code. The amendment

22 provides that the debtor is not obligated to pay a loan if the creditor has violated any

23 provision and further prohibits a creditor from furnishing any information concerning the

24 debt to a consumer reporting agency or referring the debt to a debt collector.

25 The amendment also requires the Department of Professional and Financial

26 Regulation, Bureau of Consumer Credit Protection to conduct a study of the use by Maine

27 residents of short-term, small dollar loans and submit the report to the Legislature by

28 December 1, 2021.

29

FISCAL NOTE REQUIRED

30

(See attached)

COMMITTEE AMENDMENT



130th MAINE LEGISLATURE

LD 522

LR 1936(02)

An Act To Cap Interest Rates for Consumer Debt

Fiscal Note for Bill as Amended by Committee Amendment "A" (S-65)
Committee: Health Coverage, 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 to implement the provisions of this bill are expected to be minor and can be absorbed within existing budgeted resources.