

STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND TWENTY-FIVE

H.P. 560 - L.D. 874

An Act to Provide Relief to Federal or State Employees Affected by a Federal Government or State Government Shutdown

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

Sec. 1. 5 MRSA §160 is enacted to read:

§160. Government Shutdown Loan Guarantee Program Fund established

The Government Shutdown Loan Guarantee Program Fund is established as a nonlapsing Other Special Revenue Funds account within the Office of the Treasurer of State. All money received by the fund from any source, including any transfers from the General Fund unappropriated surplus, must be credited to the fund. Money credited to the fund must be used to guarantee the repayment of loans made by an eligible financial institution to an eligible affected employee pursuant to Title 10, chapter 110, subchapter 15 and to reimburse the Finance Authority of Maine for reasonable expenses to administer the Government Shutdown Loan Guarantee Program established in Title 10, chapter 110, subchapter 15.

Sec. 2. 10 MRSA c. 110, sub-c. 15 is enacted to read:

SUBCHAPTER 15

GOVERNMENT SHUTDOWN LOAN GUARANTEE PROGRAM

§1100-HH. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Affected employee. "Affected employee" means a person employed by the Federal Government or the State Government or any federal or state agency who, during a shutdown, is:

A. A resident of the State; and

B. Required to work as a federal or state employee without pay or furloughed as a federal or state employee without pay.

2. Bureau. "Bureau" means the Department of Professional and Financial Regulation, Bureau of Financial Institutions.

3. Credit union. "Credit union" has the same meaning as "credit union authorized to do business in this State" in Title 9-B, section 131, subsection 12-A.

4. Eligible affected employee. "Eligible affected employee" means an affected employee who is eligible to receive a loan as determined pursuant to section 1100-JJ, subsection 1.

5. Eligible financial institution. "Eligible financial institution" means a credit union or financial institution that is in good standing as determined by the bureau pursuant to section 1100-II, subsection 2.

6. Financial institution. "Financial institution" has the same meaning as "financial institution authorized to do business in this State" in Title 9-B, section 131, subsection 17-A.

7. Good standing. "Good standing," with respect to a credit union or financial institution, means that the credit union or financial institution is insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

8. Grace period. "Grace period" means the period beginning with the disbursement of a loan under this subchapter and ending 90 days after an eligible affected employee receives disbursement of the loan or at the end of the shutdown during which the loan was made, whichever is later.

9. Loan. "Loan" means an extension of credit made by an eligible financial institution to an eligible affected employee pursuant to this subchapter.

10. Loan guarantee payment. "Loan guarantee payment" means the amount paid by the Treasurer of State in satisfaction of a claim filed by an eligible financial institution pursuant to section 1100-KK.

11. Program. "Program" means the Government Shutdown Loan Guarantee Program established in section 1100-II.

12. Shutdown. "Shutdown" means a full or partial shutdown of the Federal Government or the State Government that lasts longer than 7 consecutive calendar days. Each shutdown is considered a separate shutdown for purposes of the program.

§1100-II. Government Shutdown Loan Guarantee Program established

1. Establishment; purpose. The Government Shutdown Loan Guarantee Program is established within and administered by the authority. The authority shall guarantee the repayment of loans made by an eligible financial institution to an eligible affected employee pursuant to section 1100-JJ. The authority shall submit all approved claims pursuant to section 1100-KK to the Treasurer of State, who shall pay from the Government Shutdown Loan Guarantee Program Fund, established in Title 5, section 160, any claims submitted by the authority pursuant to the program.

2. Process for credit unions and financial institutions. A credit union or financial institution may submit a request to the bureau to participate in the program. Not later than

5 business days after receiving the request to participate, the bureau shall determine whether the credit union or financial institution is an eligible financial institution and immediately notify the credit union or financial institution and the authority of that determination. An eligible financial institution may make loans to an eligible affected employee in accordance with section 1100-JJ.

3. Notification of loan and borrower information. An eligible financial institution that makes a loan to an eligible affected employee pursuant to section 1100-JJ shall notify the authority in writing not later than 5 business days after making the loan, specifying such information about the eligible affected employee borrower as the authority may request.

§1100-JJ. Eligibility of affected employees; loan terms; process

1. Determination of eligibility of affected employee. An eligible financial institution may make a loan to an affected employee who meets the following eligibility requirements.

A. An affected employee shall provide to the eligible financial institution proof of the affected employee's employment status, income and residence in this State. An affected employee may meet the requirements of this paragraph by providing to the eligible financial institution proof such as a pay stub or bank statement, a federal employee identification card or the federal tax identification number of the affected employee's employer.

B. In addition to the proof required in paragraph A, an affected employee shall submit to the eligible financial institution a sworn affidavit from the affected employee stating:

(1) That the affected employee is currently a federal or state employee residing in this State;

(2) That the affected employee is eligible to receive back pay when a shutdown ends;

(3) That the affected employee is not receiving a loan from any other eligible financial institution pursuant to this subchapter; and

(4) The amount per week of unemployment compensation benefits pursuant to Title 26, chapter 13:

(a) Received by the affected employee, if any, during a shutdown; and

(b) The affected employee is eligible to receive, if any, during a shutdown.

2. Determination of loan amount. The maximum amount of a loan is the lesser of \$6,000 and the affected employee's most recent monthly after-tax pay, offset by any unemployment benefits, as determined pursuant to this subsection.

A. Offsetting unemployment benefits are determined by multiplying by 4 the greater of the amount per week of unemployment benefits pursuant to Title 26, chapter 13, as reported pursuant to subsection 1, paragraph B, subparagraph (4):

(1) Actually received by the affected employee during the shutdown; and

(2) The affected employee is eligible to receive during the shutdown.

B. The amount of offsetting unemployment benefits, if any, as determined pursuant to paragraph A is subtracted from the lesser of \$6,000 and the affected employee's most recent monthly after-tax pay.

C. The amount of the loan is the lesser of \$6,000 and the amount determined following the calculation in paragraph B.

3. Creditworthiness. An eligible financial institution may not use an affected employee's creditworthiness as a factor for the purposes of determining eligibility for a loan under this subchapter.

4. Terms of loan agreement. Notwithstanding any provision of law to the contrary, the following terms apply to a loan issued pursuant to this subchapter.

A. A loan agreement may not:

(1) Require repayment during the grace period;

(2) Charge interest on the principal amount before or during the grace period or for 180 days after the grace period; or

(3) Contain a fee or penalty for the prepayment or early payment of the loan.

B. The loan agreement must require that the affected employee repay the loan in full not later than 180 days after the end of the grace period and permit repayment to be made in installments. An affected employee who chooses to repay the loan in installments must be allowed to make at least 3 and no more than 6 equal installment payments.

C. After 180 days have elapsed following the grace period, the eligible financial institution may charge interest or fees in accordance with the eligible financial institution's lending policy and the terms of the loan agreement.

5. Multiple loans to same eligible affected employee during same shutdown. An eligible affected employee who has received a loan pursuant to this section may apply to the same eligible financial institution for an additional loan for each 30-day period beyond the first that the affected employee remains an eligible affected employee, except that an eligible affected employee may not receive more than 3 loans under the program during a shutdown. An eligible affected employee who applies for an additional loan shall provide the eligible financial institution with updated information as required under subsection 1, including the amount of unemployment compensation benefits the affected employee has been determined eligible to receive or has received during the shutdown. Each additional loan must be made in accordance with this section.

6. Treatment of deferred interest. Notwithstanding any provision of Title 36, Part 8 to the contrary, any interest deferred or not charged related to a loan issued pursuant to this section is exempt from all state taxes that may be applicable to such interest amounts as they relate to an affected employee. An eligible financial institution shall disclose to eligible affected employee borrowers in the signed affidavit or loan documents that there may be federal tax consequences to the program loans and that loan information may be shared with the authority.

§1100-KK. Loan guarantee

1. Claims. No sooner than the 180th day following the end of the grace period and no later than the 300th day following the end of the grace period, an eligible financial institution that has made a good faith effort to collect the outstanding principal of a loan issued pursuant to section 1100-JJ and has been unsuccessful may make a claim to the authority for recovery of an amount equal to the outstanding principal of that loan.

An eligible financial institution shall demonstrate to the satisfaction of the authority that the eligible financial institution has made a good faith effort to collect the outstanding principal from the eligible affected employee in accordance with the eligible financial institution's loan servicing and collection policies and has been unsuccessful.

2. Loan guarantee payment. The authority, upon receipt of a properly documented claim submitted by an eligible financial institution pursuant to subsection 1, shall submit the claim immediately to the Treasurer of State for payment. The Treasurer of State immediately shall pay to the authority from the Government Shutdown Loan Guarantee Program Fund, established in Title 5, section 160, any claims submitted by the authority pursuant to the program. The authority shall distribute the loan guarantee payment to the eligible financial institution.

3. Effect of payment of claim. After payment of a loan guarantee payment to an eligible financial institution pursuant to subsection 2:

A. The loan must be assigned by the eligible financial institution to the authority on behalf of the State; and

B. The duty of the authority to continue collection efforts on the loan pursuant to section 1100-LL, subsection 4 applies.

§1100-LL. Duties and powers of authority

1. Maintenance and review of records. The authority shall maintain records in the regular course of administration of the program, including a record of loans issued pursuant to section 1100-JJ and loan guarantee payments issued pursuant to section 1100-KK, subsection 2 to honor claims on defaulted loans. The authority shall regularly review these records to monitor all the loans issued and identify duplicate applications.

2. Termination of loan recovery guarantee based on misrepresentation or failure to comply by eligible financial institution. The authority may terminate any agreement to pay the claim of an eligible financial institution pursuant to section 1100-KK if the eligible financial institution misrepresents any information pertaining to the loan or fails to comply with any requirements of this section or section 1100-KK in connection with the claim for the loan.

3. Termination of loan recovery guarantee based on excess claims. If the amount expended for loan guarantee payments under section 1100-KK equals or exceeds 10% of the total of all loans issued, the authority shall immediately cease to approve claims and shall notify the Treasurer of State and each eligible financial institution of the total amount of loan guarantee payments made and that the authority has ceased honoring loan claims.

4. Recovery of defaulted loans. The authority, on its own or by contracting with a private entity, shall make reasonable efforts to recover the amount of loan guarantee payments made pursuant to section 1100-KK, subsection 2. Any funds recovered pursuant to this subsection, less reasonable administrative costs, must be deposited in the Government Shutdown Loan Guarantee Program Fund established in Title 5, section 160.

§1100-MM. New loans prohibited after shutdown

An affected employee may not apply for a loan under the program after a shutdown ends. A financial institution may not approve a loan under the program after a shutdown ends.

§1100-NN. Review of funding needs

The joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs, in consultation with the joint standing committee of the Legislature having jurisdiction over financial services matters, may report out legislation to address any funding needs of the program.

Sec. 3. Transfer. Notwithstanding any provision of law to the contrary, the State Controller shall transfer \$250,000 from the Financial Institutions - Bureau of program, Other Special Revenue Funds account within the Department of Professional and Financial Regulation to the Government Shutdown Loan Guarantee Program Fund, established within the Office of the Treasurer of State pursuant to the Maine Revised Statutes, Title 5, section 160, no later than 14 days following the effective date of this Act to be used to guarantee the repayment of loans made by an eligible financial institution to an eligible affected employee pursuant to Title 10, chapter 110, subchapter 15.

Sec. 4. Additional transfer and allocation. The Joint Standing Committee on Appropriations and Financial Affairs, after consultation with the Joint Standing Committee on Health Coverage, Insurance and Financial Services, may report out legislation to the Second Regular Session of the 132nd Legislature to address any funding needs of the Government Shutdown Loan Guarantee Program established in the Maine Revised Statutes, Title 10, chapter 110, subchapter 15.

Sec. 5. Appropriations and allocations. The following appropriations and allocations are made.

TREASURER OF STATE, OFFICE OF

Government Shutdown Loan Guarantee Program Fund N296

Initiative: Establishes the Government Shutdown Loan Guarantee Program Fund.

OTHER SPECIAL REVENUE FUNDS	2025-26	2026-27
All Other	\$250,000	\$0
OTHER SPECIAL REVENUE FUNDS TOTAL	\$250,000	\$0