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## **An Act To Update Citations of Recodified Federal Regulations in the Maine Consumer Credit Code**

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

**Sec. 1. 9-A MRSA §3-310, sub-§1**, as amended by PL 2011, c. 427, Pt. A, §10, is further amended to read:

1. In connection with a consumer credit transaction in which the interest rate may vary during the term of the transaction, the creditor shall make the following disclosures in writing accordance with section 8-504.

~~A. With respect to a closed-end transaction secured by the consumer's principal dwelling with a term greater than one year, the information required under 12 Code of Federal Regulations, 226.19(b) must be disclosed at the time an application form is provided or before the consumer pays a nonrefundable fee, whichever is earlier.~~

~~B. With respect to an open-end credit plan secured by the consumer's principal dwelling or by any 2nd or vacation home of the consumer, the information required by 12 Code of Federal Regulations, Section 226.5b(d) shall be disclosed at the time provided in 12 Code of Federal Regulations Section 226.5 b (b).~~

~~C. With respect to a closed-end transaction other than one described in paragraph A, the information required by 12 Code of Federal Regulations, Section 226.18(f)(1) shall be disclosed before consummation of the transaction.~~

~~D. With respect to an open-end credit plan other than one described in paragraph B, the information required by 12 Code of Federal Regulations, Section 226.6(a)(1)(ii) must be disclosed before the first transaction under the plan.~~

**Sec. 2. 9-A MRSA §3-316**, as amended by PL 2011, c. 427, Pt. B, §9, is further amended to read:

### **§ 3-316. Real estate settlement procedures**

A creditor and its mortgage loan originators shall comply with the provisions of the federal Real Estate Settlement Procedures Act of 1974, 12 United States Code, Section 2601 et seq. and its implementing regulation, Regulation X, ~~24~~12 Code of Federal Regulations, Section ~~3500~~1024.1 et seq.

**Sec. 3. 9-A MRSA §8-503**, as enacted by PL 2011, c. 427, Pt. A, §15, is amended to read:

### **§ 8-503. Conformity with federal law**

Unless the context otherwise indicates, any word or phrase that is not defined in this Article but that is defined in the Federal Truth in Lending Act, Title I of the federal Consumer Credit Protection Act, 15 United States Code, Section 1601 et seq. or its implementing regulation, Regulation Z, 12 Code of Federal Regulations, Section ~~226.1026.1~~ et seq., has the meaning set forth in the Federal Truth in Lending Act and its implementing regulations.

**Sec. 4. 9-A MRSA §8-504, sub-§§1 and 2**, as enacted by PL 2011, c. 427, Pt. A, §15, are amended to read:

**1. Compliance with Federal Truth in Lending Act.** Notwithstanding any other law, a creditor shall comply with the Federal Truth in Lending Act, Title I of the federal Consumer Credit Protection Act, 15 United States Code, Section 1601 et seq. and its implementing regulations, Regulation Z, 12 Code of Federal Regulations, Section ~~226.1026.1~~ et seq. and Regulation M, 12 Code of Federal Regulations, Section ~~213.1013.1~~ et seq., ~~including any final regulations issued on or before July 21, 2011.~~

**2. Rule-making authority.** Consistent with the purposes of Title X and Title XIV of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 and with the purposes set forth in sections 1-102 and 8-502 and notwithstanding other law, the administrator may adopt rules substantially similar to or that afford more protection for consumers than those codified in 12 Code of Federal Regulations, Part ~~226.1026~~ and 12 Code of Federal Regulations, Part ~~213.1013~~. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A. In adopting rules pursuant to this subsection, the administrator shall specifically consider whether there is a substantial impact on consumer protection before adopting rules affecting the following provisions of section 8-506:

- A. The rate thresholds pertaining to high-cost mortgage loans in section 8-506, subsection 1, paragraph H;
- B. The prepayment penalties for high-cost mortgage loans in section 8-506, subsection 2, paragraph D;
- C. The assignee liability for high-cost mortgage loans in section 8-506, subsection 3;
- D. The ability to repay in section 8-506, subsection 4;
- E. The prohibition against flipping and the principles of tangible net benefit in section 8-506, subsection 5; ~~or~~and
- F. The enhanced penalties for violations in section 8-506, subsection 6.

The rules may contain classifications, differentiations or other provisions and may provide for adjustments and exceptions for any class of transactions subject to this Title that in the judgment of the administrator are necessary or proper to effectuate the purposes of this Title, or to prevent circumvention or evasion of or to facilitate compliance with, the provisions of this Title.

**Sec. 5. 9-A MRSA §8-505, sub-§2,** as enacted by PL 2011, c. 427, Pt. A, §15, is amended to read:

**2. Reimbursement.** The administrator may adopt by rule a reimbursement program such that creditors subject to an administrative order under section 6-108 may be ordered to make whatever adjustments are necessary to ensure that any person will not be required to pay a finance charge in excess of the finance charge actually disclosed or the dollar equivalent of the annual percentage rate actually disclosed, whichever is lower. In determining any readjustment, the administrator shall apply, with respect to the annual percentage rate, a tolerance allowed under the Federal Truth in Lending Act, 15 United States Code, Section 1607 and its implementing regulation, Regulation Z, 12 Code of Federal Regulations, Section ~~226.1~~1026.1 et seq. and, with respect to the finance charge, a corresponding numerical tolerance as generated by the tolerance allowed by the Federal Truth in Lending Act and its implementing regulations for the annual percentage rate. The administrator may order partial adjustment or partial payments over an extended period if the administrator determines that a partial adjustment or making partial payments over an extended period is necessary to avoid causing the creditor to become undercapitalized pursuant to the Federal Deposit Insurance Act.

**Sec. 6. 9-A MRSA §8-506, sub-§1, ¶D,** as enacted by PL 2011, c. 427, Pt. A, §15, is amended to read:

D. "Conventional mortgage rate" means the most recently published annual yield on conventional mortgages published by the Board of Governors of the Federal Reserve System, as published in statistical release H.15 or any superseding publication, as of the applicable time set forth in 12 Code of Federal Regulations, Section ~~226.32(a)(1)(i)~~1026.32(a)(1)(i).

**Sec. 7. 9-A MRSA §8-506, sub-§1, ¶F,** as enacted by PL 2011, c. 427, Pt. A, §15, is amended to read:

F. "Creditor" has the same meaning as set forth in section 1-301, subsection 17. For purposes of this section, "creditor" also includes an entity defined as a lender as set forth in ~~24~~12 Code of Federal Regulations, Section ~~3500.2~~1024.2, including a mortgage broker.

**Sec. 8. 9-A MRSA §8-506, sub-§1, ¶¶H to M,** as enacted by PL 2011, c. 427, Pt. A, §15, are amended to read:

H. "High-cost mortgage loan" means a residential mortgage loan in which the terms of the loan meet or exceed one or more of the following thresholds:

(1) Rate threshold, which, for a residential mortgage loan, is the point at which the annual percentage rate equals or exceeds the rate set forth in 12 Code of Federal Regulations, Section ~~226.32(a)(1)(i)~~ 1026.32(a)(1)(i) without regard to whether the residential mortgage loan may be considered a "residential mortgage transaction" or an extension of "open-end credit" as those terms are set forth in 12 Code of Federal Regulations, Section ~~226.2~~ 1026.2; ~~or and~~

(2) The total points and fees threshold, which is:

(a) For loans in which the total loan amount is \$40,000 or more, the point at which the total points and fees payable in connection with the residential mortgage loan less any excluded points and fees exceed 5% of the total loan amount; and

(b) For loans in which the total loan amount is less than \$40,000, the point at which the total points and fees payable in connection with the residential mortgage loan less any excluded points and fees exceed 6% of the total loan amount.

I. "Higher-priced mortgage loan" has the same meaning as set forth in the Federal Truth in Lending Act and its implementing regulation, Regulation Z, 12 Code of Federal Regulations, Section ~~226.35(a)~~1026.35(a). "Higher-priced mortgage loan" also includes a residential mortgage loan that is a nontraditional mortgage as described in the "Interagency Guidance on Nontraditional Mortgage Product Risks" issued September 29, 2006 and published in 71 Federal Register, 58609 on October 4, 2006 and as updated from time to time, except that "higher-priced mortgage loan" does not include a mortgage that does not allow a borrower to defer repayment of principal or interest.

J. "Mortgage broker" has the same meaning as set forth in ~~2412~~ Code of Federal Regulations, Section ~~3500.21~~1024.2, except as otherwise provided in this Article.

K. "Points and fees" has the same meaning as set forth in 12 Code of Federal Regulations, Section ~~226.32(b)(1)~~1026.32(b)(1). In addition, "points and fees" includes:

- (1) The maximum prepayment fees and penalties that may be charged or collected under the terms of the loan documents;
- (2) All prepayment fees and penalties that are incurred by the borrower if the loan refinances a previous loan made or currently held by the same creditor or an affiliate of the creditor; and
- (3) All compensation paid directly or indirectly to a mortgage broker from any source, including a mortgage broker that originates a loan in its own name in a table-funded transaction.

For open-end loans, points and fees are calculated by adding the total points and fees known at or before closing, including the maximum prepayment penalties that may be charged or collected under the terms of the loan documents and the minimum additional fees the borrower would be required to pay to draw down an amount equal to the total credit line.

L. "Residential mortgage loan" means an extension of credit, including an open-end credit plan, in which:

- (1) The loan does not exceed the maximum original principal obligation as set forth in and from time to time adjusted according to the provisions of 12 United States Code, Section 1454(a)(2);
- (2) The loan is considered a federally related mortgage loan as set forth in ~~24~~ 12 Code of Federal Regulations, Section ~~3500.2~~ 1024.2;
- (3) The loan is not a reverse mortgage transaction or a loan made primarily for business, agricultural or commercial purposes;
- (4) The loan is not a construction loan; and
- (5) The loan is secured by the borrower's principal dwelling.

M. "Servicing" has the same meaning as set forth in ~~24~~12 Code of Federal Regulations, Section ~~3500.2~~ 1024.2 and includes any other activities or responsibilities undertaken in connection with a residential mortgage loan by a person who acts as a servicer with respect to that residential mortgage loan, including collection and default management functions.

**Sec. 9. 9-A MRSA §8-506, sub-§2**, as enacted by PL 2011, c. 427, Pt. A, §15, is amended to read:

**2. High-cost mortgage loans; restrictions.** A high-cost mortgage loan is subject to the provisions applying to certain closed-end home mortgages covered by Regulation Z, 12 Code of Federal Regulations, Section ~~226.32~~1026.32 and the following restrictions.

- A. In connection with a high-cost mortgage loan, a creditor may not directly or indirectly finance any points or fees.
- B. In addition to the limitation on balloon payments found in Regulation Z, 12 Code of Federal Regulations, Section ~~226.32~~1026.32, a high-cost mortgage loan may not contain a scheduled payment that is more than twice as large as the average of earlier scheduled payments. This paragraph does not apply when the payment schedule is adjusted to the seasonal or irregular income of the borrower.
- C. A creditor may not make a high-cost mortgage loan without first receiving certification from a counselor with a 3rd-party, nonprofit organization approved by the United States Department of Housing and Urban Development, a housing financing agency of this State or the Department of Professional and Financial Regulation, Bureau of Consumer Credit Protection that the borrower has received counseling on the advisability of the loan transaction.
- D. A prepayment fee or penalty may not be included in the loan documents or charged under the terms of a high-cost mortgage loan.

**Sec. 10. 9-A MRSA §8-507**, as enacted by PL 2011, c. 427, Pt. A, §15, is amended to read:

## **§ 8-507.Exemption from the Federal Truth in Lending Act**

**1. Preservation of federal exemption.** As required by the Federal Truth in Lending Act, 15 United States Code, Section 1633 and its implementing regulation, Regulation Z, 12 Code of Federal Regulations, Section ~~226.29~~1026.29, the administrator may take any action necessary to apply for or to preserve a determination by the ~~Federal Reserve Board~~federal Consumer Financial Protection Bureau or its successor agency that under the laws of this State any class of credit transactions within this State is subject to requirements substantially similar to federal requirements and that there are adequate provisions for enforcement of such requirements.

**2. Application.** This Article does not apply to any class of credit transactions within this State that is subject to the requirements of the Federal Truth in Lending Act, Title I of the federal Consumer Credit Protection Act unless any such class of transactions has first been exempted by a regulation of the ~~Board of Governors of the Federal Reserve Board~~federal Consumer Financial Protection Bureau and that exemption remains in effect.

**Sec. 11. 9-A MRSA §9-311-A**, as amended by PL 2011, c. 427, Pt. B, §12, is further amended to read:

### **§ 9-311-A.Real estate settlement procedures**

A creditor and its mortgage loan originators shall comply with the provisions of the federal Real Estate Settlement Procedures Act of 1974, 12 United States Code, Section 2601 et seq. and its implementing regulation, Regulation X, ~~24~~12 Code of Federal Regulations, Section ~~3500~~1024.1 et seq.

**Sec. 12. 9-A MRSA §10-307**, as amended by PL 2011, c. 427, Pt. B, §16, is further amended to read:

### **§ 10-307.Real estate settlement procedures**

A loan broker and its mortgage loan originators shall comply with the provisions of 12 United States Code, Section 2601 et seq., the federal Real Estate Settlement Procedures Act of 1974 and its implementing regulation, Regulation X, ~~24~~12 Code of Federal Regulations, Section ~~3500~~1024.1 et seq.

## **SUMMARY**

This bill updates the Maine Consumer Credit Code so that existing references to federal regulations are up to date. The bill also amends the Maine Revised Statutes, Title 9-A, section 3-310 by consolidating references to the implementing regulations of the Federal Truth in Lending Act.