

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

## **An Act To Facilitate Small Loans in Maine**

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

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

### **§ 2-311. Small loan requirements**

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

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

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

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

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

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

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

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

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

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

A. The total of:

- (i) 30% per year on that part of the unpaid balances of the amount financed that is \$2,000 or less;
- (ii) 24% per year on that part of the unpaid balances of the amount financed that is more than \$2,000 but does not exceed \$4,000; and
- (iii) 18% per year on that part of the unpaid balances of the amount financed that is more than \$4,000.

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

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

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

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

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

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

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

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

**SUMMARY**

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