

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

An Act Relating to Exempt Equity in a Primary Residence

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

Sec. 1. 9-B MRSA §439-B is enacted to read:

§ 439-B. Notice of exempt equity

At the time of application, a financial institution that intends to make a secondary or home equity loan or refinance an existing loan on property that is the primary residence of the loan applicant shall inform the loan applicant of the total amount of exempt equity in the property under Title 14, section 4422, subsection 1 in a form substantially similar to:

"NOTICE OF OPTIONS REGARDING THE EXEMPT EQUITY IN A PRIMARY RESIDENCE

You have applied to refinance your primary residence. If you are doing so to pay credit card or other unsecured debt, you should know that based upon the fair market value of your primary residence there is approximately \$..... of unsecured EQUITY in your primary residence.

Under Maine law, the unsecured EQUITY in your primary residence may be EXEMPT (off-limits) to unsecured creditors to attach by lien or otherwise obtain by debt collection efforts and actions, including court actions. You have a right to seek legal advice about your rights as a Maine homeowner regarding the alternatives you have BEFORE you use your EXEMPT assets and refinance your primary residence to pay credit card and other unsecured debt. If you cannot afford an attorney, the financial institution receiving this application can provide you with referrals to legal services organizations in your area."

The financial institution shall maintain a list of available legal services organizations for low-income persons to provide to an applicant who requests a referral for legal services under this section.

SUMMARY

This bill requires a financial institution that makes a secondary or home equity loan or refinances an existing loan on a primary residence to inform the loan applicant of the total amount of equity in the residence that is exempt from unsecured creditors and provides a sample form for financial institutions to use to inform the applicant, including offering a referral to legal services organizations for a low-income applicant.