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Legislative Document

No. 2113

S.P. 906

In Senate, January 3, 2024

An Act to Provide Relief to Federal Employees Affected by a Federal Shutdown

(EMERGENCY)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by President JACKSON of Aroostook.
Cosponsored by Speaker TALBOT ROSS of Portland and
Senators: BAILEY of York, DAUGHTRY of Cumberland, RENY of Lincoln, VITELLI of
Sagadahoc, Representative: PERRY of Calais.

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

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

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

9 **6. Financial institution.** "Financial institution" has the same meaning as "financial
10 institution authorized to do business in this State" in Title 9-B, section 131, subsection
11 17-A.

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

15 **8. Grace period.** "Grace period" means the later of:

16 A. Ninety days after an eligible affected employee receives disbursement of a loan
17 under the program; and

18 B. The end of the shutdown during which the loan under paragraph A was made.

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

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

24 **11. Program.** "Program" means the Federal Shutdown Loan Guarantee Program
25 established in section 1100-II.

26 **12. Shutdown.** "Shutdown" means a full or partial shutdown of the Federal
27 Government that lasts longer than 14 consecutive calendar days. Each shutdown is
28 considered a separate shutdown for purposes of the program.

29 **§1100-II. Federal Shutdown Loan Guarantee Program established**

30 **1. Establishment; purpose.** The Federal Shutdown Loan Guarantee Program is
31 established within and administered by the authority. The authority shall guarantee the
32 repayment of loans made by an eligible financial institution to an eligible affected
33 employee pursuant to section 1100-JJ. The authority shall submit all approved claims
34 pursuant to section 1100-KK to the Treasurer of State, who shall pay from the Federal
35 Shutdown Loan Guarantee Program Fund, established in Title 5, section 158, any claims
36 submitted by the authority pursuant to the program.

37 **2. Process for credit unions and financial institutions.** A credit union or financial
38 institution may submit a request to the bureau to participate in the program. Not later than
39 5 business days after receiving the request to participate, the bureau shall determine
40 whether the credit union or financial institution is an eligible financial institution and
41 immediately notify the credit union or financial institution and the authority of that

1 determination. An eligible financial institution may make loans to an eligible affected
2 employee in accordance with section 1100-JJ.

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

7 **§1100-JJ. Eligibility of affected employees; loan terms; process**

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

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

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

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

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

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

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

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

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

28 **2. Determination of loan amount.** The maximum amount of the loan is the lesser of
29 \$6,000 and the affected employee's most recent monthly after-tax pay, offset by any
30 unemployment benefits, as determined pursuant to this subsection.

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

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

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

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

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

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

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

6 A. A loan agreement may not:

7 (1) Require repayment during the grace period;

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

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

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

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

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

29 **6. Treatment of deferred interest.** Notwithstanding any provision of Title 36, Part
30 8 to the contrary, any interest deferred or not charged related to a loan issued pursuant to
31 this section is exempt from all state taxes that may be applicable to such interest amounts
32 as they relate to an affected employee. An eligible financial institution shall disclose to
33 eligible affected employee borrowers in the signed affidavit or loan documents that there
34 may be federal tax consequences to the program loans and that loan information may be
35 shared with the authority.

36 **§1100-KK. Loan guarantee**

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

42 An eligible financial institution shall demonstrate to the satisfaction of the authority that
43 the eligible financial institution has made a good faith effort to collect the outstanding

1 principal from the eligible affected employee in accordance with the eligible financial
2 institution's loan servicing and collection policies and has been unsuccessful.

3 **2. Loan guarantee payment.** The authority, upon receipt of a properly documented
4 claim submitted by an eligible financial institution pursuant to subsection 1, shall submit
5 the claim immediately to the Treasurer of State for payment. The Treasurer of State
6 immediately shall pay to the authority from the Federal Shutdown Loan Guarantee Program
7 Fund, established in Title 5, section 158, any claims submitted by the authority pursuant to
8 the program. The authority shall distribute the loan guarantee payment to the eligible
9 financial institution.

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

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

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

16 **§1100-LL. Duties and powers of authority**

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

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

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

33 **4. Recovery of defaulted loans.** The authority, on its own or by contracting with a
34 private entity, shall make reasonable efforts to recover the amount of loan guarantee
35 payments made pursuant to section 1100-KK, subsection 2. Any funds recovered pursuant
36 to this subsection, less reasonable administrative costs, must be deposited in the Federal
37 Shutdown Loan Guarantee Program Fund established in Title 5, section 158.

38 **§1100-MM. New loans prohibited after shutdown**

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

42 **§1100-NN. Review of funding needs**

1 An eligible financial institution that makes a loan pursuant to the program is prohibited
2 from requiring repayment of the loan during the grace period, which is the time during the
3 shutdown or 90 days after the disbursement of the loan, whichever is later, and from
4 imposing interest on the loan for 180 days following the grace period. Following the end
5 of the 180 days, an institution that made a loan under the program, after a good faith effort
6 to collect the principal amount of the loan, may apply to FAME for repayment of the
7 uncollected amount of the loan in default. The Treasurer of State is required to transfer
8 funds for the payment of the uncollected amount to FAME, which is required to make the
9 payment to the financial institution. FAME is required to make reasonable efforts to recoup
10 the amount of any payments made to eligible financial institutions from the employee who
11 defaulted on the loan.

12 Finally, the bill gives the joint standing committee of the Legislature having
13 jurisdiction over appropriations and financial affairs, in consultation with the joint standing
14 committee of the Legislature having jurisdiction over financial services matters, authority
15 to report out legislation to address any funding needs of the program.