

AARON M. FREY
ATTORNEY GENERAL



STATE OF MAINE
OFFICE OF THE ATTORNEY GENERAL
6 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0006

TEL: (207) 626-8800
TTY USERS CALL MAINE RELAY 711

REGIONAL OFFICES
84 HARLOW ST. 2ND FLOOR
BANGOR, MAINE 04401
TEL: (207) 941-3070
FAX: (207) 941-3075

125 PRESUMPCOT ST., SUITE 26
PORTLAND, MAINE 04103
TEL: (207) 822-0260
FAX: (207) 822-0259

14 ACCESS HIGHWAY, STE. 1
CARIBOU, MAINE 04736
TEL: (207) 496-3792
FAX: (207) 496-3291

February 11, 2025

Senator Donna Bailey, Chair
Representative Kristi Mathieson, Chair
Joint Standing Committee on Health Coverage, Insurance and Financial Services
100 State House Station
Augusta, ME 04333

RE: L.D. 314, *An Act to Establish Consumer Protections Regarding Small Dollar Loans*

Senator Bailey, Representative Mathieson, and distinguished members of the Joint Standing Committee on Health Coverage, Insurance, and Financial Services:

I write in opposition to L.D. 314, a bill which if enacted would eliminate important consumer protections within the Consumer Credit Code, including the recently enacted “true lender” rule and Maine’s longstanding caps on interest rates for consumer loans.

In 2021, the Legislature enacted and Governor Mills signed “An Act To Protect Consumers against Predatory Lending Practices.” P.L. 2021, ch. 297, § 1. The Act amended the Maine Consumer Credit Code (Title 9-A) to address a significant concern about rent-a-bank arrangements whereby unregulated non-bank lenders—so-called “fintech” lenders—partner with out-of-state banks to offer loans to consumers in Maine. These lenders charge exorbitant and unaffordable fees and rates of interest that, in the absence of the rent-a-bank scheme, would violate the Code, which limits finance charges for consumer loans. The Act protected Maine consumers from this practice by adopting the “true lender” rule, which looks beyond the rent-a-bank arrangement to identify the party with the predominant economic interest in the loan as the lender and voids loans that do not comply with the Code. *See* 9-A M.R.S.A. §§ 2-701, 2-702. **Section 2 of L.D. 314 proposes to completely repeal the true lender rule.** This is the third attempt since 2021 by the fintech industry to repeal this important consumer protection. *See* L.D. 1982 (130th Legislature), LD. 1912 (131st Legislature). The Legislature rejected each of the previous attempts, and I urge it do so again now. The true lender rule is a crucial tool that protects Maine’s consumers from predatory, out-of-state, unregulated lenders.


L.D. 314 would compound the harm resulting from its repeal of the true lender rule by also effectively repealing Maine’s longstanding caps on interest rates and finance charges on consumer loans. Presumably included in the bill for the purpose of obviating opposition from

regulated lenders based in Maine, Section 3 of L.D. 314 would exempt nearly all traditional lending institutions—banks, savings and loan associations, credit unions, mortgage companies, trust companies—from the entirety of Article 2 of the Maine Consumer Credit Code, including the Code’s interest rate caps that have been in place for over 50 years. In this way, L.D. 314 would not only unleash unregulated fintech lenders on Maine’s consumers but would also eliminate interest rate caps on consumers loans made by nearly every other lender. This would be a profound step backward for consumers in Maine. I strongly urge the Committee to reject this attempt to transform Maine into one of the few states in the entire country that does not protect consumers from predatory rates of interest.

Section 4 of L.D. 314 would establish minimal underwriting standards for small dollar loans. These standards would apply only to loans made by supervised lenders for no more than \$2,500 in principal with repayment periods of 90 to 365 days. To the extent Section 4 is proposed as a salve for the damage its other provisions will cause to consumers, it is obviously inadequate. L.D. 314 proposes a far-reaching rewrite of Maine law on consumer lending that will expose consumers to predatory practices from which they currently enjoy substantial protection; a new small dollar loan statute with minimal scope and substance simply does not come close to replacing the robust protections of Article 2 of the Consumer Credit Code.

Thank you for your consideration.

Sincerely,


Aaron M. Frey
Attorney General