



Maine Credit Union League

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In Opposition to
LD 314: An Act to Establish Consumer Protections Regarding Small Dollar Loans
Committee on Health Coverage, Insurance and Financial Services
February 12, 2025

Good Afternoon, Senator Bailey, Representative Mathieson, and distinguished members of the Committee on Health Coverage, Insurance and Financial Services,

My name is Krista Simonis and I am the Director of Governmental Affairs at the Maine Credit Union League. The Maine Credit Union League is the trade association for Maine's 48 credit unions and over 750,000 members statewide. We respectfully submit the following testimony **in opposition to LD 314.**

This is a proposal that been presented multiple times. In the 130th Legislature it was LD 1982. In the 131st Legislature it withdrawn before it had a public hearing. In its current iteration it is still not a good idea.

Exempts Fintechs from Maine Laws

By removing 9-A MRSA §2-702, the bill would undo the consumer protections put in place in 2021 with LD 522, An Act to Protect Consumers against Predatory Lending Practices.

Without this section of law, a payday lender, FinTech company, or other lender, could have a bank make a loan in their name. Because institutions can be chartered federally or in other states, these loans would not be subject to Maine's rate caps. Even though the consumer would never deal with the chartered bank, they would not be considered the "true lender." Congress, with the support of Maine's entire delegation, acted against this "rent-a-bank" scheme in 2021. The true lender in a case is now determined by the facts of the case and the law of the state in which the loan is made. This federal law is supported by the language in 9-A MRSA §2-702, which LD 314 seeks to remove.

Removes Article 2 for Credit Unions and other Supervised Financial Institutions

~~As supervised financial institutions, credit unions are by definition supervised lenders. According to the scope of Article 2, this means credit unions are subject to Parts 3 and 4 of Article 2.~~ The exemptions on page 1 of this bill state that credit unions and other supervised financial organizations would be exempted from all of Article 2 of Title 9-A. This would effectively eliminate the application of all law that currently governs records, loan payment schedules, finance charges, etc., including the laws this committee was debating last week with LD 201.

At a minimum, this exemption would create a conflict with the scope section of Article 2, likely leading to legal challenges to determine the true impact.

Does not adequately protect consumers from high interest rates

Before extending credit, credit unions make sure members have the ability to repay loans. While LD 314 contains a provision for monthly payments to not exceed 12% of a consumer's monthly gross income, this is not a full accounting of a person's debt to income ratio and ability to repay since it does not account for existing financial obligations. This could result in struggling Mainers being trapped in a cycle of debt. While on its face it might sound like LD 314 would increase access to credit, it would invite in unscrupulous out-of-state competition that does not have the same high standards of regulation and care as Maine's community financial institutions.

Maine has a solid community financial services industry that is supported by a strong network of credit unions. Our local financial institutions have the members they serve at the heart of nearly every loan and decision they make. Mainers can already access small dollar loans like those defined in this bill through their credit unions.

Maine benefits from a higher than average market share for both credit unions and community banks. These institutions are essential to our communities and they know their members and customers. While other states are dominated by "too big to fail" banks, Maine has a diverse financial service industry ready to meet Mainers needs. Inviting outside FinTech companies with little supervision will hurt Mainers and our community banking industry.

We thank the committee for their time and urge Ought Not to Pass on LD 314.