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Joint Standing Committee on Health Coverage, Insurance and Financial Services

LD 381, An Act to Enable Mortgage Portability and Promote Housing Affordability in the State

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Good morning, Senator Bailey, Representative Mathieson, and honorable members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services. I am Joe Martin and I proudly represent the citizens of Senate District 19, which includes much of Northern Oxford County and communities in Franklin County.

Today, I am here to discuss LD 381, "An Act to Enable Mortgage Portability and Promote Housing Affordability in the State." LD 381 is a common-sense solution to help Maine families navigate our housing market while keeping homeownership affordable. This bill introduces mortgage portability, a tool that allows homeowners to transfer their existing mortgage terms—including interest rates and balances—to a new home, rather than being forced into potentially higher rates.

Maine, like much of the country, is facing a housing affordability crisis. Homeowners looking to move—whether for work, family needs, or downsizing—are often penalized by today's higher mortgage rates. They must abandon their existing low-interest mortgage and take on a new one at much higher rates, leading to higher monthly payments and discouraging mobility.

At the same time, we need a more dynamic housing market that allows empty nesters to downsize and first-time buyers to enter the market without unnecessary financial strain. Solution: Mortgage Portability.

LD 381 allows homeowners to port their mortgage to a new primary residence, provided they meet key conditions:

1. **Good Standing:** The borrower has maintained their loan without defaults.
2. **Lender Approval:** The new property meets standard underwriting and appraisal requirements.
3. **Timeframe:** The transfer must happen within six months of selling the previous home. Lenders will be required to honor the existing loan's interest rate and terms, making homeownership more predictable and stable for families.

Benefits to Maine Residents:

- Protects homeowners from skyrocketing mortgage rates when they need to move.
- Encourages mobility—allowing families to relocate for job opportunities or life changes.
- Boosts the housing market by ensuring more homes are available for new buyers.
- Reduces financial barriers to moving, preventing homeowners from being "locked in" by their mortgage.

Additionally, lenders will have the option to offer blended interest rates for additional funds needed to buy a more expensive home, making the transition smoother.

This bill is about fairness, stability, and affordability in homeownership. Maine families should not be punished with unaffordable mortgages simply because they need to move. By enabling mortgage portability, LD 381 ensures that homeownership remains within reach, strengthens the housing market, and promotes economic mobility across our state.

I urge the committee to support this bill and make homeownership more secure and affordable for Maine residents. Thank you for your consideration of this proposal. I would be happy to take any questions.

1. Won't this bill force banks and lenders to take on unnecessary risk by allowing people to keep outdated, low-interest loans?

Not at all. This bill only applies to homeowners in good standing who meet all standard appraisal and underwriting criteria. Lenders already assess risk on a case-by-case basis, and this bill does not force them to approve a transfer. Instead, it reduces risk by preventing unnecessary defaults from homeowners stuck in unaffordable new mortgages.

2. Doesn't this bill interfere with the free market by forcing lenders to honor old interest rates?

LD 381 does not force lenders to take bad deals; it simply allows qualified homeowners to continue their agreements under existing terms. In fact, portability exists in other financial products, like insurance. This bill introduces an optional fee for lenders to process ported mortgages, ensuring they are not at a disadvantage.

3. How does this help first-time homebuyers if it mainly benefits existing homeowners?

Mortgage portability frees up homes by allowing older homeowners or growing families to move without financial penalties. When existing homeowners can move, they list their homes for sale, increasing housing supply—which benefits first-time buyers. This also encourages downsizing, making entry-level homes more available.

4. Won't this bill mostly benefit wealthier homeowners with large mortgages and good credit?

No, it benefits middle-class families the most—those who bought homes when rates were low and now feel trapped by today's market. These are often working-class families needing to relocate for jobs or seniors

looking to downsize. Wealthier individuals typically have more financial flexibility and access to better loan terms regardless.

5. Doesn't this reduce state revenue by lowering mortgage origination fees and transfer taxes?

No, because home sales will increase due to the greater flexibility this bill provides. More transactions mean more economic activity, more tax revenue, and fewer people staying in homes that no longer suit their needs simply because they can't afford new mortgage rates.

6. If this is such a great idea, why haven't banks already adopted mortgage portability voluntarily?

Some lenders in other countries already offer mortgage portability because it makes financial sense. In the U.S., banks benefit from forcing borrowers into new, higher-rate mortgages instead. This bill ensures Maine homeowners aren't exploited by a system that penalizes them for moving.

7. Won't this create an administrative burden for lenders and increase costs that could be passed to consumers?

The bill allows lenders to charge a one-time porting fee, ensuring they are fairly compensated. Plus, porting saves money compared to a full loan origination process. Banks already have the technology and infrastructure to transfer mortgage terms in refinancing—this is just another form of it.

8. How do you ensure mortgage portability isn't abused—like someone porting a loan multiple times to game the system?

The bill has built-in safeguards:

- The borrower must have good standing with their lender.
- The mortgage must be transferred within six months of selling their prior home.
- Standard underwriting and appraisal criteria must still be met.

These prevent misuse while keeping the process fair.

9. Wouldn't it be better to just focus on lowering interest rates or offering direct financial assistance to homebuyers?

Mortgage rates are set at the federal level, and direct assistance programs often create more red tape and inefficiencies. LD 381 is a market-driven solution that does not require taxpayer funding or government subsidies. Instead, it helps homeowners use the financial agreements they already have.

10. Couldn't this bill create an unfair playing field where new homebuyers get stuck with higher rates while existing homeowners keep their low ones?

This bill doesn't exclude new buyers—it actually helps them. More homeowners moving means more homes become available, increasing supply and stabilizing prices. That benefits all buyers, not just those with existing mortgages.

LD 381 empowers homeowners, promotes housing affordability, and keeps the market moving—without increasing taxes, mandates, or government spending. Those trying to undermine it are protecting the big banks rather than Maine families. Let's put people before profits and pass this common-sense legislation.