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Testimony of Representative Art Bell in SUPPORT of:

LD 1901: An Act to Regulate Shared Appreciation Agreements Relating to Residential Property

Presented before the Health Coverage, Insurance and Financial Services Committee ... 5/14/25

Good afternoon Senator Bailey, Representative Mathieson and members of the Health Coverage, Insurance and Financial Services Committee. I am Art Bell and I represent Yarmouth, House District #103.

LD 1901 addresses a new predatory lending scheme recently developed by the financial industry. It has spread to at least 32 states and has become the subject of numerous lawsuits and regulatory actions across the country. Just this past February, the Massachusetts Attorney General filed a lawsuit against one of these operators, charging it with systemically violating Massachusetts consumer protection laws, including mortgage foreclosure protection laws, and putting financial vulnerable homeowners at risk of losing their homes. LD 1901 is designed to prevent the spread of these abuses to the State of Maine.

Even though there are multiple variations of this financing device, they all basically provide a homeowner with a present “fast cash” advance in exchange for the homeowner’s agreement to make a much larger repayment years later based upon the future value of the home.

Sometimes these deals are called “shared appreciation contracts” or “option contracts” or “home equity sharing agreements.” These contracts almost always bear excessively high interest rates and require recorded mortgages which tie up the homeowner’s ability to refinance the existing first mortgage on his or her home. Because the future payment amount is based upon the future appreciation of the home, the actual future repayment amount is unknown at the time the homeowner signs the contract. Usually, these contracts mature in ten years and require homeowner repayments far larger than they expected or can afford.

These contracts are marketed to homeowners who usually have low credit scores or heavy credit card debts. Often the victims have been elderly people or retirees. The contracts are not based upon any determination of the homeowner’s ability to repay the money owed since the future payment amount is tied solely to the future value of the home.

A key issue that LD 1901 addresses is the claim of the companies offering these contracts that they are not loans and are not subject to truth-in-lending laws or other consumer loan disclosure laws and consumer protection laws. These transactions all involve advances of cash to homeowners, repayment requirements, and accruals of interest charges. This bill will make it clear that these transactions will be treated as loans subject to Maine’s consumer protection laws.

I will defer now to others who will speak in support of this bill and who are more familiar than I am with these issues.