



LD 522 *An Act To Cap Interest Rates for Consumer Debt*

Testimony in Opposition

Senator Sanborn, Representative Tepler and members of the Health Coverage, Insurance & Financial Services Committee. My name is Kathy Keneborus, and I am a resident of Hollis. I am Vice President of Government Relations at the Maine Bankers Association, a state-wide trade association representing Maine's 28 retail banks and their 9000 employees.

MBA is opposed to LD 522 as currently drafted. This bill will not apply to all lenders doing business in Maine. In addition, the bill may limit a customer's choice to seek loans from Maine-based banks if they can no longer offer a loan product because the 15% rate cap does not cover the cost of the product.

The Bill Will Not Impact Banks Not Headquartered in Maine. LD 522 will not impact any bank that does not have its headquarters in Maine, such as Discover Financial Services, a direct banking and payment services company headquartered in IL. The National Bank Act and the Federal Deposit Insurance Act (FDI Act) allow their respective regulated banks to export the bank's home state's interest rate. Also, a 1978 U.S. Supreme Court Decision (*Marquette Nat. Bank of Minneapolis v. First of Omaha Service Corp.*) held that state anti-usury laws regulating interest rates cannot be enforced against nationally chartered banks based in other states.

Maine's Current Small Dollar Interest Rate Caps are Better Than the State Medians According to the National Consumer Law Center. The 2020 National Consumer Law Center (NCLC) information reflects that Maine's small-dollar loan interest rates are better than the median compared to other states (see Attached Chart).

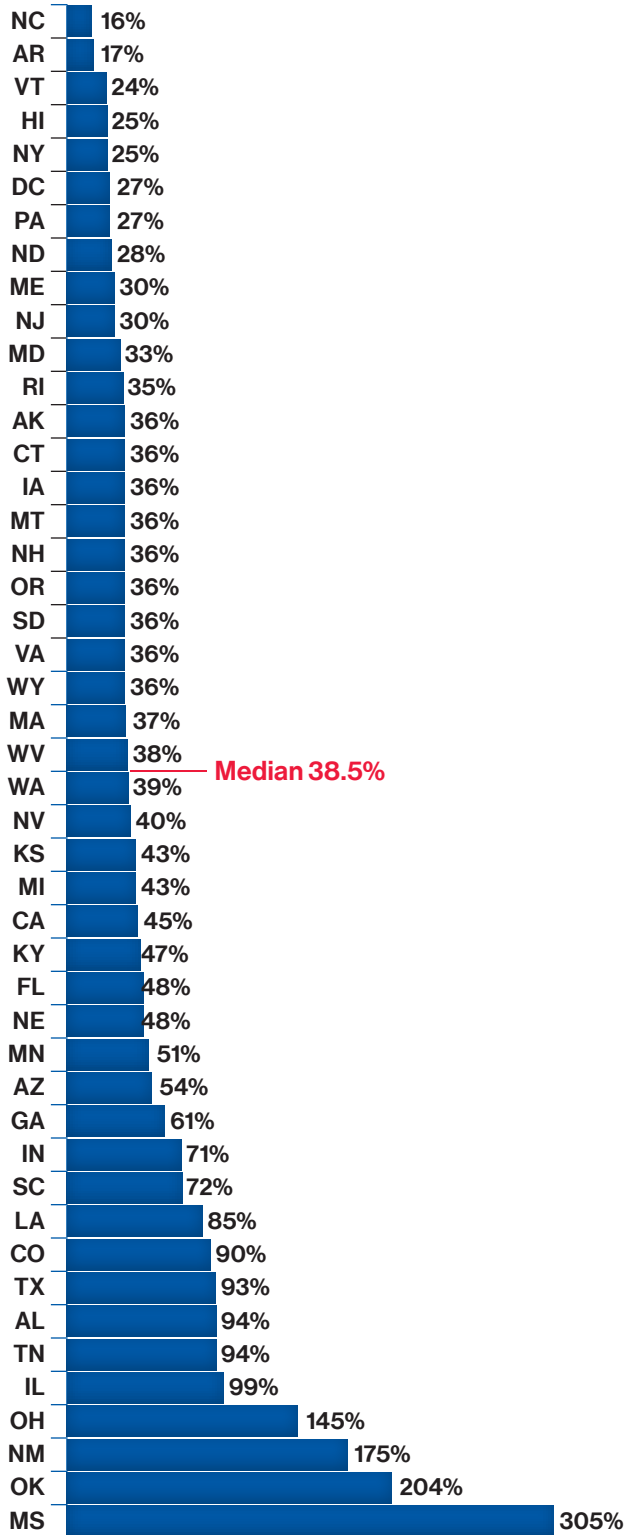
Customers May Be Forced to Go to Unregulated Lenders. Interest rates fluctuate due to many factors, including the cost of funds and the loan risk. Instituting an interest rate cap that does not cover a loan product's cost may result in Maine-based banks not being able to offer small-dollar loan products (including "accommodation" loans) to their customers. If Maine banks and other licensed providers cannot provide these small-dollar loans, people will be forced to meet their needs through "informal" loan sources.

We urge you to vote ought-not-to-pass on LD 522 as currently drafted. Thank you for allowing me to testify regarding this bill. I will be available for the work session.

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CHART 5

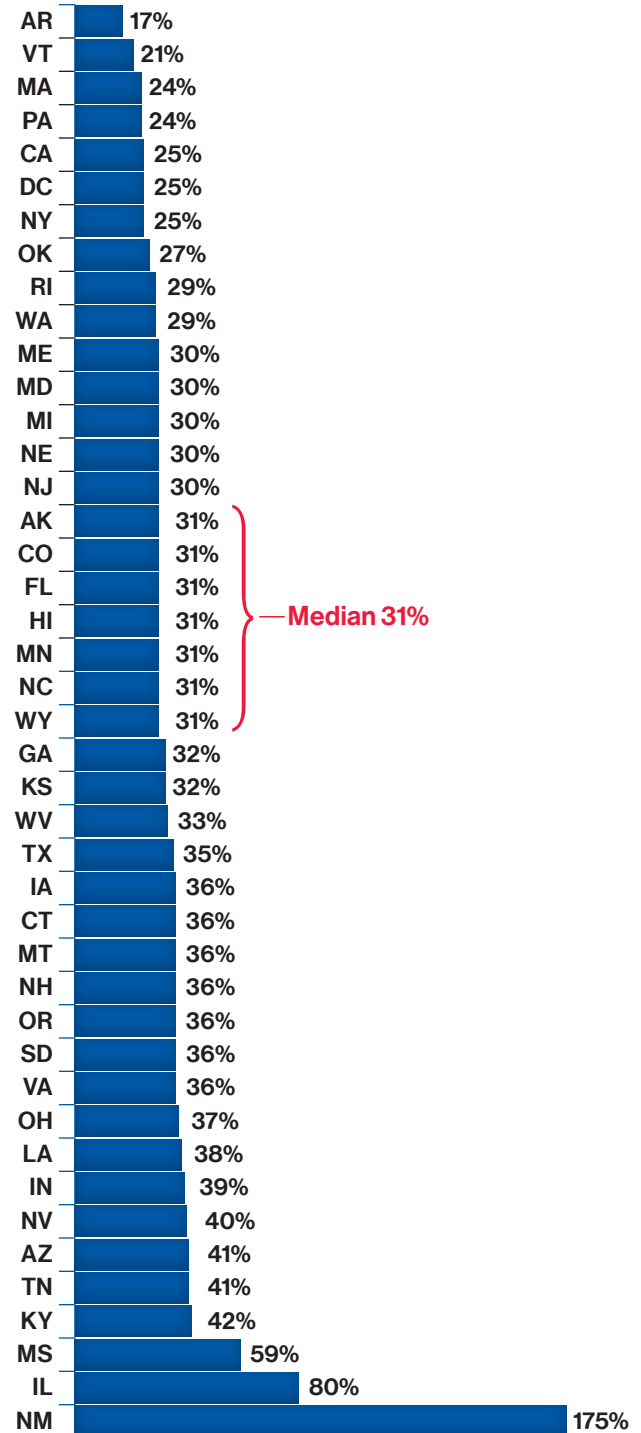
**\$500 Six-Month Loan
Maximum APR in States with Cap
(45 states plus DC)**



No cap except unconscionability: **ID, UT, WI**
No cap: **DE, MO**

CHART 6

**\$2,000 Two-Year Loan
Maximum APR in States with Cap
(42 states plus DC)**



No cap except unconscionability: **AL, ID, SC, UT, WI**
No cap: **DE, MO, ND**