

STATE HIGH COST/PREDATORY LENDING REGULATIONS

State: Maine

Law: ME Predatory Lending Act effective 1/1/08

Cite: ME Sec. A-1-9 MRSA 3-315 et seq as of 1/1/08

Public Link: <http://www.mainelegislature.org/legis/bills/billtexts/LD186901.asp>

Loan Covered: Conventional FHA VA

Maximum Loan Amount Covered: FHLMC loan limits

Loan Purposes Covered: Purchase Construction/Perm (refinance of construction loan)

Construction Refinance Home Equity/closed end

HELOC Bridge Loan (refinance) Bridge Loan (purchase)

Purchase Plus Refinance Plus Home Improvement

One time with modification One-time Closing

Borrower(s) Covered: Natural Person or trust

Property Covered: 1-4 owner occupied – federally related mortgage loan

Total Loan Amount is: Closed End = Same as HOEPA (Section 32)

Open End = Credit limit

NOTE AMOUNT

APR Test: **1st Lien** >8%

Subordinate Lien >10%

Fee Test: >5% OF TLA loans equal or greater than \$40,000 up to FNMA loan limits
>6% of TLA loans less than \$40,000

Fees Included or Excluded: (See link to law for more information)

“Bona fide discount points” means an amount knowingly paid by a borrower for the express purpose of reducing, and which in fact does result in a bona fide reduction of, the interest rate applicable to a residential mortgage loan, as long as the undiscounted interest rate for the residential mortgage loan does not exceed the conventional mortgage rate by more than 2 percentage points for a residential mortgage loan secured by a first lien or by 3 ½ percentage points for a residential mortgage loan secured by a subordinated lien.

Legal Disclaimer: This is a good faith summary of the state’s high cost/predatory lending laws. This is not legal advice. It is not a substitute for legal advice. See the referenced link to the actual law for further details and clarification.

“Points and fees” means:

- (1) All items included in the definition of “finance charge” in 12 Code of Federal Regulations, Section 226.4(a) and 226.4(b) except interest or the time price differential;
- (2) All items described in 12 Code of Federal Regulations, Section 226.32(b)(1)(iii);
- (3) All compensation paid directly or indirectly to a mortgage broker from any source, including a mortgage broker that originates a loan in its own name in a table-funded transaction;
- (4) The cost of all premiums financed by a creditor directly or indirectly for any credit life, credit disability, credit unemployment or credit property insurance or any other life or health insurance, or any payments financed by the creditor directly or indirectly for any debt cancellation or suspension agreement or contract, except that insurance premiums, including private mortgage insurance or debt cancellation or suspension fees calculated and paid on a monthly basis or through regularly scheduled periodic payments, may not be considered financed by the creditor;
- (5) The maximum prepayment fees and penalties that may be charged or collected under the terms of the loan documents; and
- (6) All prepayment fees or penalties that are incurred by the borrower if the loan refinances a previous loan made or currently held by the same creditor or an affiliate of the creditor.

Excluded points and fees” means, in connection with a residential mortgage loan, 1% of the total loan amount attributable to bona fide fees paid to a federal or state government agency that insures payment of some portion of a residential mortgage loan plus an amount not to exceed 2% of the total loan amount attributable to bona fide discount points or a conventional prepayment penalty.

“Points and fees” does not include taxes, filing fees, recording fees and other charges and fees paid or to be paid to public officials for determining the existence of or for perfecting, releasing or satisfying a security interest or bona fide and reasonable charges and fees paid to a person other than the creditor or an affiliate of the creditor as follows: fees for tax payment services; fees for flood certification; fees for pest infestation and flood determination; appraisal fees; fees for inspections performed prior to closing; fees for credit reports; fees for surveys; attorney’s fees; notary fees; escrow charges not otherwise included under subparagraph (1); title insurance premiums; and fire and hazard insurance and flood insurance premiums, as long as the conditions in 12 Code of Federal Regulations, Section 226.4(d)(2) are met.

For open-end loans, the points and fees are calculated by adding the total points and fees known at or before closing, including the maximum prepayment penalties that may be charged or collected under the terms of the loan documents and the minimum additional fees the borrower would be required to pay to draw down an amount equal to the total credit line.

Special Notes:

Fees – includes all fees, compensation paid to broker, lender, affiliate including YSP
Requires notice on face of security instrument stating it is a high cost loan-see law for exact verbiage.

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