

## **MAINE HIGH-COST RECAP**

**What loans are subject to rule:** Maine high-cost test applies strictly to entities that are not considered banks, either depository or non-depository, or the Maine State Housing Authority. The loans covered are consumer-purpose loans up to the FNMA conforming loan limit secured by the borrower's principal dwelling. Construction loans and reverse mortgages are exempt.

**Fees included:** Maine follows the 1026.32 points and fees test, and maximum prepayment fees and penalties that may be charged or are charged when refinancing a loan held by the same creditor or affiliate, as well as any mortgage broker compensation. For a HELOC, points and fees include the minimum additional fees the borrower is required to pay to draw down an amount equal to the total credit line.

The test does allow up to 2% of the total loan amount to be excluded if they are attributable to bona fide discount points or a conventional prepayment penalty. For a discount point to be considered bona fide, the undiscounted rate cannot exceed APOR by more than 2% on a first lien, or 3.5% on a subordinate lien. For the prepayment penalty to be excluded, the APR must not exceed APOR by more than 2% or permit any prepayment fees or penalties exceeding 2% of the amount prepaid.

A residential mortgage is a high-cost in Maine if the total points and fees exceed 5% of the total loan amount for loans of \$40,000 or higher, or 6% of the total loan amount for loans under \$40,000.

**APR threshold test:** The APR test follows 1026.32, which means the first lien APR cannot exceed APOR as of the date on which the interest rate for the transaction is set by more than 6.5%, and a subordinate lien APR cannot exceed APOR as of the date on which the interest rate for the transaction is set by more than 8.5%.

### **Additional limitations:**

- Creditor may not finance points or fees
- No balloon payments
- Borrower must complete HUD-approved counseling prior to closing
- No prepayment penalty
- Creditor must consider borrower's ability to repay in underwriting loan
- Loan flipping prohibited

**Disclosures required:** There are no state disclosures required in connection with a Maine high-cost loan.

### **Underlying Regulation:**

Maine Consumer Credit Code - Truth-in-Lending; ME Predatory Lending Act effective 1/1/08 (ME Rev Stat Ann Title 9-A, Section 8-506(1)(H))

<http://www.mainelegislature.org/legis/statutes/9-A/title9-Asec8-506.html>