



Legislators in Maine sent a strong bipartisan message: no more predatory lending in our state. With unanimous support from both Maine's House and Senate, Governor John Baldacci signed the new law that will give Maine families more responsible and affordable subprime mortgages.

"With the rampant foreclosures in the subprime market, policy leaders and responsible lenders in Maine understood the pressing need to act," said Carla Dickstein, of Coastal Enterprises, Inc. (CEI), a Maine-based community development finance institution that is dedicated to expanding economic opportunities for low-income people. CEI coauthored a study in 2006 with the Center for Responsible Lending (CRL) in Durham, North Carolina, *Predatory Mortgages in Maine*, which documented predatory lending abuses in Maine that led to the legislation. According to CRL's Uriah King, "This law includes some of the strongest protections in the country, including common-sense ways to reduce broker abuses and destructive serial refinancing."

The new law, passed with strong leadership from Speaker Glenn Cummings (D) and Senator Dana Dow (R), includes a key provision that requires lenders to evaluate a borrower's ability to repay the loan. The law also will require brokers to recommend mortgages that make sense for the borrower and provide a net tangible benefit to a borrower who refinances. It requires strong consumer protections for high-cost mortgages that have points and fees over five percent of the mortgage, such as prohibiting lenders from financing points and fees—a practice that makes it easy to strip equity from homeowners while hiding the true cost of the loan. And it creates strong penalties for breaking the law.

Key groups supporting the law included the state's banks, credit unions, AARP, Maine's Community Action Programs, the Maine Council of Churches, NAACP of Portland/Bangor, and Four Directions Development Corporation, and over thirty additional grassroots, business and advocacy organizations including responsible mortgage brokers.

Maine is one of more than two dozen states that has taken specific action to provide stronger protections to homeowners. The federal law designed to address predatory lending has not been substantially updated since it was passed in 1994, though both the Federal Reserve Board and Congress have recently held hearings related to the foreclosure crisis in the subprime market, and both bodies are contemplating stronger protections.