

March 9, 2015

Hon. Senator Rodney Whittemore, Chair
Hon. Representative Henry Beck, Chair
Joint Standing Committee on Insurance and Financial Services
Maine State Legislature
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

Testimony in Favor of LD 455, An Act To Prohibit Deceptive Practices Regarding Unsolicited Loans

Dear Senator Whittemore, Representative Beck, and members of the Joint Standing Committee on Insurance and Financial Services,

The Maine Center for Economic Policy (MECEP) is a nonprofit, nonpartisan economic research organization. We advance public policies that help Maine people prosper in a strong, fair, and sustainable economy.

MECEP urges you to enact LD 455 to protect Mainers from unscrupulous lenders.

Maine has long upheld strong consumer protections. Our state has one of the most robust lemon laws the country. We prohibit unlicensed lenders and cap interest rates. Maine law even prohibits unlicensed lenders from collecting any more from the consumer than the amount of the original loan, forgiving all interest. Over the years, Maine has worked hard to prevent devious lenders from taking advantage of our citizens.

Yet, some lenders continue to prey on the vulnerable and the elderly. In the last decade, more senior citizens have found themselves in debt. While only 30 percent of Americans 65 and older were in debt in 1998, in 2010 43 percent were struggling with indebtedness.ⁱ A person already in debt, struggling to keep his or her head above water is vulnerable to deceptive loan practices, such as unsolicited loans.

Unsolicited loans or “live loan checks” are checks written out and mailed to unsuspecting individuals, which are actually loans and, when endorsed and cashed, subjects the borrower to harsh repayment terms.

Just last year, MECEP received one of these checks. It was made payable to us in the amount of \$75,000 and included check routing and account numbers. And as informed as we are, I can't

tell you how tempting it was to cash that check. We kept thinking, "What if it's a gift or a donation?" There were no interest or repayment terms included and no description of the lender/giver.

Now think how easy it would be for seniors, or those lacking good reading skills, or who have mental health disabilities to unwittingly sign and cash such a check and then be liable for an exorbitant amount in interest and fees.

The Federal Reserve Board noted that creditors are increasingly making use of these checks. We think allowing these checks to be issued to Maine residents is unacceptable. This is not the way we do business in Maine. Please support LD 455.

Sincerely,

A handwritten signature in black ink, appearing to read "Garrett Martin". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Garrett Martin
Executive Director

¹ Karmacheva, Neda. Urban Institute: Older Americans Economic Security. "Is Household Debt Growing for Older Americans?" No. 33, January 2013. Retrieved from: <http://www.urban.org/UploadedPDF/412742-Is-Household-Debt-Growing-for-Older-Americans.pdf>, February 9, 2015