



COVID-19 Relief Consumer Loan Program

(Consumer Loan Guaranty Program)

FACT SHEET

Revised April 21, 2020

- As part of its response to the COVID-19 pandemic, the Legislature passed emergency legislation to assist Mainers with no-to low-interest consumer loans through **a loan guaranty program involving FAME and Maine’s banks and credit unions.**
- Governor Mills recently issued an Executive Order amending some of the terms of the program in order to better serve its intended purposes, such as extending the amortization and making it easier for financial institutions to participate by allowing them to consider a consumer’s creditworthiness. **These changes are highlighted below.**
- The funds are limited. **\$500,000** has been appropriated to support insurance claims by lenders for loans that go into default. The Legislature could appropriate more money for the program in the future, however.
- The program will be terminated on December 31, 2020 or when 10% of claims (which so far are unknown and may eventually exceed \$500,000) is reached, whichever comes first.
- All claims by lenders will be paid at 100% until the program runs out of funding.
- Interested borrowers should **first approach their local bank or credit union (not FAME)**. The program is voluntary on the part of Maine lenders, so interested persons should check with them to see if they are participating.
- The program provides for low-to-no-interest loans to **eligible “affected employees”** who have been negatively affected by the COVID-19 virus.
- **“Affected employee”** means a resident of this state, including a self-employed resident, who has experienced a reduction in income since January 1, 2020 due to circumstances related to COVID-19.
- Loans up to **\$5,000** (minus any unemployment benefits received by borrower) may be available.
- **Up to 3 loans:** A borrower who has received a loan may apply to the same credit union or financial institution for an additional loan for **each 30-day period that the employee remains an eligible affected employee**, except that an eligible affected **employee may not receive more than 3 loans under the program.**
- **Special terms:** Loans may not:
 - (1) Require repayment during the 90-day grace period;

- (2) Charge interest on the principal amount before or during the 90-day grace period or for 365 days after the grace period (for a total of 455 days); or
- (3) Contain a fee or penalty for the prepayment or early payment of the loan.

- The **loan agreement must require** that the affected employee repay the loan in full not later than **1,825 days (5 years)** after the end of the 90-day grace period by making **60 equal installment payments**.
- **After 365 days (1 year)** have elapsed **following the grace period**, the credit union or financial institution may charge interest or fees in accordance with the credit union's or financial institution's lending policy and the terms of the loan agreement.
- Any interest deferred or not charged related to a loan issued pursuant to this section is **exempt from all state taxes** that may be applicable to such interest amounts as they relate to an affected employee. A credit union or financial institution shall disclose to eligible affected employee borrowers in the signed affidavit or loan documents **that there may be federal tax consequences** to the program loans and that loan information may be shared with the authority.
- **Eligibility:** A credit union or financial institution may make a loan to an affected employee who meets the following eligibility requirements.
 - A. An affected employee shall provide the credit union or financial institution proof that the affected employee has experienced a reduction in income and is a resident of this State. An affected employee may meet the requirements of this paragraph by providing to the credit union or financial institution proof such as a pay stub or bank statement indicating earned income in any 3 months prior to March 1, 2020.
 - B. In addition to the proof required in paragraph A, an affected employee shall submit to the credit union or financial institution a sworn affidavit from the affected employee stating:
 - (1) The affected employee is currently living in the State;
 - (2) The affected employee has experienced a reduction in income likely due to circumstances related to COVID-19 and is not receiving a loan from any other credit union or financial institution pursuant to this subchapter; and
 - (3) The amount of unemployment compensation benefits, if any, pursuant to Title 26, chapter 13:
 - (a) The affected employee received per week during the period of March 15, 2020 to December 31, 2020; and
 - (b) The affected employee is eligible to receive per week during the period of March 15, 2020 to December 31, 2020.

- A credit union or financial institution **may use an affected employee's creditworthiness** as a factor for the purposes of determining eligibility for a loan under this subchapter.
- An affected employee may not apply for a loan under the program **after December 31, 2020**. A credit union or financial institution may not approve a loan under the program **after December 31, 2020**.
- **Claims.** No sooner than the **1,825th day (5 years)** following the end of the grace period and no later than the **2,095th day (5 years and 9 months)** day following the end of the grace period, a credit union or financial institution that has made a good faith effort to collect the outstanding principal of a loan issued pursuant to section 1100-DD and has been unsuccessful may **make a claim to FAME for recovery of an amount equal to the outstanding principal of that loan**.
- A credit union or financial institution shall demonstrate, by affidavit or other documentation, to the satisfaction of FAME that the credit union or financial institution has **made a good faith effort to collect the outstanding principal from the eligible affected employee** substantially in accordance with the credit union's or financial institution's loan servicing and collection policies and has been unsuccessful.
- Upon receipt of a properly documented claim submitted by a credit union or financial institution, FAME shall submit the claim immediately to the **Treasurer of State** for payment.
- The Treasurer of State immediately shall pay to FAME from the Loan Guarantee Program Fund any claims submitted by FAME.
- FAME shall distribute the loan guarantee payment to the credit union or financial institution.
- After payment of a loan guarantee payment to a credit union or financial institution:
 - A. The loan must be assigned by the credit union or financial institution to FAME on behalf of the State; and
 - B. FAME shall continue collection efforts on the loan.
- **Duties and powers of FAME:**
 - 1. **Maintenance and review of records.** FAME shall maintain records in the regular course of administration of the program, including a record of loans issued and loan guarantee payments issued to honor claims on defaulted loans. FAME shall regularly review these records to monitor all the loans issued and identify duplicative applications.
 - 2. **Termination of loan recovery guarantee based on misrepresentation by credit union or financial institution.** FAME may terminate any agreement to pay the claim of a credit union or financial institution if the credit union or financial institution misrepresents any information pertaining to the loan or fails to comply with any requirements in connection with the claim for the loan.

- **3. Termination of loan recovery guarantee based on excess claims.** If the amount expended for loan guarantee payments equals 10% of the total of all loans issued, FAME shall immediately cease to approve claims and shall notify the Treasurer of State and each credit union or financial institution of the total amount of loan guarantee payments made and that FAME has ceased honoring loan claims. FAME may delay payment of claims until it has calculated an amount that equals 10% of the total loans issued.
- **4. Recovery of defaulted loans.** FAME, on its own or by contracting with a private entity, shall make reasonable efforts to recover the amount of guaranteed loan payments made. Any funds recovered pursuant to this subsection, less reasonable administrative costs, must be deposited in the Loan Guarantee Program Fund.