

DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION  
**BUREAU OF CONSUMER CREDIT PROTECTION**  
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ADVISORY RULING #101  
MAY 4, 1993

May 4, 1993

Re: Section 3-308, "Schedule of Payments"

Dear :

You have described a proposed loan product, and have asked whether the product is compatible with the restrictions found in 9-A M.R.S.A. §3-308, "Schedule of payments; balloon payments."

The repayment schedule of your client's loan offering calls for a period of "interest only" payments, followed by "principal and interest" payments, based upon an amortization schedule and changing only in response to movements of an independent index, until the loan is fully repaid.

In our opinion, the loan program is not prohibited by the wording of Section 3-308.

The element which allows this proposed program to avoid Section 3-308's restrictions is found in subsection 1, which prohibits unequal payments of "principal and interest." At no time does the proposed program contemplate such irregular payments.

The first phase of the product is not affected by this prohibition because it consists of interest-only payments. The second phase of payments, which includes principal and interest, involves amounts which are substantially equal except for the variable rate feature, which is allowed under the Consumer Credit Code and rules promulgated thereunder.

I hope this is responsive to your request for an Advisory Ruling on this subject.

Sincerely,

Will N. Lund  
Superintendent

WNL/bas