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ADVISORY RULING #102
JULY 9, 1993

July 9, 1993

Re: Open-End Credit Not Secured by Real Estate or Manufactured Home

Dear :

You have asked whether the Maine Consumer Credit Code applies to a certain open-end credit product.

Under the plan, the consumer's credit limit will be \$175,000. However, the debt will not be secured by an interest in land, a manufactured home or a dwelling. Rather, the creditor will take a security interest in separate personal property.

In my opinion, the open-end credit plan as described is exempt from the Consumer Credit Code. I reach this conclusion despite 9-A M.R.S.A. §1-301(14)(A)(iv), which provides an exemption only where the security requirements are met and where the "amount financed" exceeds \$25,000. As you know, there is no such thing as an "amount financed" in an open-end line of credit, because unlike closed-end credit, an open-end plan theoretically starts with a \$0 balance.

Neither Federal law nor Maine law specifically addresses the situation involving open-end credit. In this case, therefore, our office will conform to the interpretation provided by the Board of Governors of the Federal Reserve. The Board exempts from Regulation Z an open-end transaction which meets the other requirements and which involves an "express written commitment to extend credit in excess of \$25,000, or an "initial extension of credit [which] exceeds \$25,000;" see 12 CFR §226.3(b) and Comment 3(b)-2.

I trust this is responsive to your request for an Advisory Ruling.

Sincerely,

William N. Lund
Superintendent

WNL/bas