



# Government Shutdown Loan Guarantee Program



## LD 874 Background

- LD 874, now PL 2025, ch. 494, became law following its passage during the First Session of the 132<sup>nd</sup> Maine Legislature.
- Establishes the Government Shutdown Loan Guarantee Program and takes effect on September 24, 2025.
- The program will be administered by FAME in partnership with the State Treasurer and local lending institutions.
- It will provide access to voluntary, no-interest loans for certain federal and state employees located in Maine and affected by a partial or full shutdown of the federal or state government that lasts for longer than seven consecutive days.



## Government Shutdown Loan Guarantee Program

- Affected employees would be eligible for up to three loans during a shutdown, each equal to their monthly after-tax pay, less unemployment benefits, up to a maximum of \$6,000.
- Eligibility must be proven by the employee based on certain requirements. The creditworthiness of an employee MAY NOT be used as a factor to determine eligibility for the program.
- FAME would, in the event of a borrower's failure to repay a loan, guarantee up to 10% of the overall loans eligible credit unions and financial institutions make to affected employees.



## Government Shutdown Loan Guarantee Program

- The bill provides for initial appropriations of \$250,000 in FY 25-26 only to fund the program, with a provision allowing the Legislature to periodically review program funding needs.
- Fund is maintained by State Treasurer and may be used to guarantee repayment of loans made by participating lenders and to reimburse FAME for administrative costs.



## Lender Responsibilities

### Lender Process to Participate:

- Submit application to Bureau of Financial Institutions within Department of Professional and Federal Regulation? to participate in program.
- Await decision from BFI within 5 business days of application ; BFI will notify lender and FAME simultaneously
- FAME will initiate Loan Insurance contract to lender for review and execution
- Execute Finance Authority of Maine Government Shutdown Loan Guaranty Program Loan Insurance Agreement , return to FAME



## Eligible Borrower

Eligible borrowers are defined in statute to require the following:

- ✓ Proof of employment status (federal employee ID card, or federal tax ID number of the employee's employer)
- ✓ Proof of Income (pay stub, bank statement)
- ✓ State of Maine residency
  
- ✓ Borrower shall submit to the lender a sworn affidavit stating:
  - (1) That the affected employee is currently a federal or state employee residing in this State;
  - (2) That the affected employee is eligible to receive back pay when a shutdown ends;
  - (3) That the affected employee is not receiving a loan from any other eligible financial institution pursuant to this subchapter; and
  - (4) The amount per week of unemployment compensation benefits pursuant to Title 26, chapter 13:
    - (a) Received by the affected employee, if any, during a shutdown; and
    - (b) The affected employee is eligible to receive, if any, during a shutdown.



## Creditworthiness and Terms

### Creditworthiness

- Creditworthiness/ credit history MAY NOT be used as a factor for the purposes of determining eligibility

### Terms

- Loan agreement MAY NOT:
  - ❖ (1) Require repayment during the grace period (90 days);
  - ❖ (2) Charge interest on the principal amount before or during the grace period or for 180 days after the grace period; or
  - ❖ (3) Contain a fee or penalty for the prepayment or early payment of the loan
- Borrower must repay the loan in full not later than 180 days after the end of the grace period and permit repayment to be made in installments. Installments must be allowed to make at least 3 and no more than 6 equal installment payments.
- After 180 days have elapsed following the grace period, the lender may charge interest or fees in accordance with lender's policy and the terms of the loan agreement



## Lender Insurance Claim Process

- No sooner than the 180th day following the end of the grace period and no later than the 300th day following the end of the grace period, the lender that has made the good faith effort to collect the outstanding principal of a loan and has been unsuccessful may make a claim to FAME for recovery of an amount equal to the outstanding principal of the loan.
- Lender's loan collection policy should be followed prior to insurance claim submission
- FAME will receive insurance claim from lender, submit requisition to State of Maine Treasurer for payment, and once received, remit payment to lender, and in turn take an assignment of the loan to continue collection efforts
- Total loan insurance allocation is \$250,000. If the amount expended for loan guarantee payments equals or exceeds 10% of the total of loans issued, the authority shall immediately cease to approve claims and shall notify the Treasurer of the State and participating lender of the total amount of loan guarantee payments made and that FAME has ceased honoring local claims.





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