

ARKANSAS HIGH-COST RECAP

What loans are subject to rule:

Consumer-purpose transaction secured by the borrower's primary residence in an amount of \$150,000 or less, that will not be sold within 60 days of closing to a GSE or government agency. First-lien purchase money loans, bridge loans, and construction loans are excluded.

Fees included:

Subject to points and fee as in 12 CFR §226.32 as it existed in 2003 except:

The following discount points shall be excluded from the calculation of the total points and fees payable by the borrower:

(i) Up to and including two (2) bona fide loan discount points payable by the borrower in connection with the loan transaction, but only if the interest rate from which the loan's interest rate will be discounted does not exceed by more than one (1) percentage point the required net yield for a ninety day standard mandatory delivery commitment for a reasonably comparable loan from either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greater; and

(ii) Up to and including one (1) bona fide loan discount point payable by the borrower in connection with the loan transaction, but only if the interest rate from which the loan's interest rate will be discounted does not exceed by more than two (2) percentage points the required net yield for a ninety day standard mandatory delivery commitment for a reasonably comparable loan from either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, whichever is greater;

The prepayment penalty is included in points and fees if penalty exceeds:

- 3% in year one
- 2% in year two
- 1% in year three

Loan is a high-cost transaction if total points and fees exceed:

- 5% of total loan amount for loans \$75,000 to \$150,000
- 6% of total loan amount for loans greater than \$20,000 but less than \$75,000
- 8% of total loan amount for loans \$20,000 or less

APR threshold test:

The APR is compared against the Treasury Yield of comparable maturity of the loan as of the 15th day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor.

First Lien: The transaction is considered a high-cost if the APR is 8% or higher than comparable Treasury Yield figure

Subordinate Lien: The transaction is considered a high-cost if the APR is 10% or higher than comparable Treasury Yield figure

Additional limitations:

- No call provision
- No balloon payment
- No negative amortization
- No increased interest rate after default
- No advance payments
- No financed credit insurance
- No loan flipping
- No encouragement of loan default.
- No mandatory arbitration clause
- No lending without homeownership counseling
- No lending without due regard to repayment ability
- No financing of prepayment fees or penalties
- No payments to home improvement contractor unless signed and dated completion certificate for improvements is provided and the payment is payable to the borrower or jointly to the borrower and the contractor; at the election of the borrower, through a third-party escrow agent in accordance with a written agreement signed by the borrower, creditor, and contractor prior to disbursement.
- No modification or deferral fees may be charged.

Disclosures required: None

Underlying Regulation: Arkansas Home Loan Protection Act; [Arkansas Code Chapter 23-53-101 et.seq.](#)