

COLORADO HIGH-COST RECAP

What loans are subject to rule:

A consumer-purpose loan to an individual or revocable trust secured by the borrower's primary dwelling.

Fees included:

Includes the APR fees payable to a creditor, mortgage broker, and/or its affiliates in the fee test.

If the total points and fees paid by borrower on the loan exceed 6% of total loan amount, the transaction is high-cost.

APR threshold test:

The loan is considered a CO high-cost transaction if the below occurs:

First Lien: The APR exceeds APOR by more than 6.5% as of the date on which the interest rate for the transaction is set

Subordinate Lien: The APR exceeds APOR by more than 8.5% as of the date on which the interest rate for the transaction is set

Additional limitations:

- No financed credit insurance
- Limitations on arbitration clauses
- No balloon payment within 10 years
- No negative amortization
- No call provisions
- No increased interest rate after default
- No advance payments
- No covered loan may be made without taking borrower's ability to repay into account
- One year refinance limitation unless refinance in borrower's interest
- Covered loan may not knowingly replace or consolidate a subsidized low-rate loan made by a governmental or nonprofit lender with a covered loan within the first 10 years of the original loan unless the current lienholder consents in writing to the refinancing
- Payments to Contractors prohibited under home improvement, unless payable to borrower or jointly (borrower and contractor); or with the borrower's consent, by a 3rd party escrow agent per agreement between borrower, lender and contractor.
- Lender must not encourage default on existing loan in anticipation of covered loan closing.
- Prepayment penalty limitations:
 - Prepayment penalty allowed during first 36 months only on refi to different lender other than pursuant to sale.
 - Penalties shall not exceed 6 months interest.

- Penalties only on loans secured by a first mortgage, deed of trust, or security interest to refinance, by amendment, payoff, or otherwise, an existing loan made to finance the acquisition or construction of a dwelling, including a refinance loan providing additional sums of money for any purpose, regardless of whether related to acquisition or construction.
- No penalties for partial repayment.
- No penalties if lender owns the property.
- To charge prepayment penalty, lender must offer choice of loan with no such penalty.

Disclosures required:

Loan Product Choice Disclosure must be provided at closing if a prepayment penalty is imposed. This is Doc ID 5959 in PPDocs, Inc.'s document library

Consumer Caution Notice must be provided at least three business days prior to closing. This is Doc ID 7436 in PPDocs, Inc.'s document library

Underlying Regulation:

[CO Revised Statutes Section 5-3.5-101 et seq.\)](#)

<https://law.justia.com/codes/colorado/2021/title-5/article-3-5/part-1/section-5-3-5-101/>