

CONNECTICUT HIGH-COST RECAP

What loans are subject to rule:

A consumer-purpose loan to a natural person or revocable trust secured by a 1-4 owner-occupied dwelling.

Fees included:

There is no separate fee test in CT, although there is a limitation on prepaid finance charges if the loan is a high-cost due to the APR. More details below under “Additional limitations”.

APR threshold test:

The transaction is considered a high-cost loan in the following case:

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:

High cost home loan must comply with these requirements:

- No advance payments
- No balloon payment in less than 7 years unless it is a bridge loan of less than 1 year
- No negative amortization
- No call provisions
- No prepayment penalties
- No waiver of class action participation or requirement of asserting claim in certain nonjudicial forums
- 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 cannot sell or assign loan without notice of the loan being high-cost to the purchaser or assignee.
- Lender cannot charge prepaid finance charges in excess of 5% of the principal loan amount or \$2,000.
- Lender must take borrower’s ability to repay into account in underwriting the loan.
- Lender cannot advertise that refinancing preexisting debt will reduce a borrower’s aggregate monthly debt payment without also disclosing that the high-cost home loan may increase both the aggregate number of monthly debt payments and the aggregate amount paid by the borrower over the term of the loan.

- Lender cannot recommend or encourage default of other loan payments in anticipation of high-cost home loan closing.
- High-cost home loan must provide borrower with tangible benefit.
- Lender must base interest rate on proper and reasonable factors, including creditworthiness, other risk-related standards, and sound underwriting.
- Lender may not charge and retain fees paid by borrower for services that aren't actually performed, or which are not bona fide and reasonable.

Disclosures required:

A lender making a high-cost home loan shall disclose the High-Cost Loan Disclosure prior to closing, which is Doc ID 3799 in the PPDocs, Inc. document library.

Underlying Regulation:

[Conn. Gen. Stat. §36a-746](#)

https://www.cga.ct.gov/current/pub/chap_669.htm#sec_36a-746