

## **DISTRICT OF COLUMBIA HIGH-COST RECAP**

### **What loans are subject to rule:**

Covers mortgage loan that is a consumer-purpose loan to a natural person or trust secured by a 1-4 owner-occupied dwelling not to exceed the FNMA loan limit. Initial construction and purchase loans are excluded. A loan that is made by or intended for sale to FNMA, FHLMC, or banks supervised by a federal agency is not covered under this rule.

### **Fees included:**

The high-cost fee test includes fees payable by the borrower at or before loan closing.

The loan is a high-cost if the origination/discount points and fees payable by borrower exceed 5%.

### **APR threshold test:**

The APR is compared against the Treasury Yield of comparable maturity of the loan as of the 15<sup>th</sup> 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 6% or higher than comparable Treasury Yield figure

Subordinate Lien: The transaction is considered a high-cost if the APR is 7% or higher than comparable Treasury Yield figure

### **Additional limitations:**

- Significant limitations on loans refinanced by the same lender within 18 months
- No single premium individual or group credit life, accident, health, or unemployment insurance product shall be sold in conjunction with a covered loan.
- No balloon payment within 7 years unless a bridge loan
- No advance payments
- No call provisions
- No negative amortization
- No increased interest rate after default
- No prepayment penalty to exceed 3 years with limitations
- No covered loan may be made without regard to the customer's ability to repay.
- The fees in excess of 3% or \$400, whichever is greater may not be financed if the lender is refinancing a loan they originally made to same borrower 18 months or less before the covered loan closing. This will exclude bona fide loan discount points and reasonable charges described in 12 C.F.R. § 226.4(c)(7)(i), (iii), (iv), and (v)
- Lender cannot recommend or encourage default of other loan payments in anticipation of high-cost home loan closing.

- Steering consumer to high-risk product when customer would qualify for more favorable loan terms is prohibited.
- Payments to Contractors prohibited under home improvement, unless payable to borrower or jointly (borrower and contractor); or with the borrower's consent, by a third party escrow agent per agreement between borrower, lender and contractor.
- No oppressive mandatory arbitration clause

**Disclosures required:**

The Red Flag Warning Disclosure Notice must be provided at least three business days prior to closing. This is not currently available in the PPDocs, Inc. document library.

**Underlying Regulation:**

[DC Code §26-1151.01 to 1155.01](#)

<https://code.dccouncil.gov/us/dc/council/code/titles/26/chapters/11A>