

GEORGIA HIGH-COST RECAP

What loans are subject to rule:

A consumer-purpose loan made to a natural person (including a trust) secured by the borrower's principal dwelling up to the FNMA loan limitations. Bridge loans, initial construction, and temporary financing for acquisition or initial construction are excluded from the state high-cost test.

Fees included:

The points and fees test will include prepaid finance charges payable to the creditor or an affiliate, lender or broker compensation, credit insurance due at or before loan closing, the maximum prepayment fees and penalties that may be charged under the terms of the documents, and all of the prepayment fees or penalties if the loan refinances a previous loan made or currently held by the same creditor or an affiliate. Up to two bona fide discount points may be excluded.

For all liens, the loan is considered high-cost if the following thresholds are exceeded:

With total loan amount of \$20,000 or more, 5% max points and fees.

With total loan amount less than \$20,000, 8% max points and fees or \$1,000, whichever is less.

APR threshold test:

The loan is a high-cost loan transaction if the following 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 call provisions
- No balloon payment
- No negative amortization
- No increased interest rate after default
- No advance payments
- No prepayment penalty after 24 months and limited to 2% of the amount prepaid in the first 12 months after the loan closing; or 1% of the amount prepaid in the second 12 months after the loan closing.
- No financed credit insurance
- Creditor may not encourage default on an existing loan in anticipation of the loan closing

- Maximum late charge is 5% of the late payment amount after 10 days late
- No flipping of a home loan is permitted – refinance of a loan within 5 years with a high-cost home loan must provide a reasonable, tangible net benefit to the borrower
- Borrower counseling is required prior to closing
- Lender must take borrower’s ability to repay into account
- 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 may not charge borrower to modify, renew, extend, or amend a high-cost home loan, or to defer any payment due
- Borrower must have right to cure default after the initiation of any action to foreclose on loan, and notice must be provided to borrower at least 30 days prior to the deadline of the notice

Disclosures required:

None, but if the lender wishes to exclude the attorney fee from the state high-cost test, the Notice of Right to Select Attorney (Doc ID 1191 in PPDocs, Inc.’s document library) must be provided to the borrower within 3 business days of the application being received.

Underlying Regulation: [Georgia Code §7-6A-1 et seq.](#)