

NORTH CAROLINA HIGH-COST RECAP

What loans are subject to rule:

A consumer-purpose loan to an individual or trust that is secured by the borrower's primary dwelling and has a principal loan amount or credit limit that does not exceed the lesser of \$300,000 or the FNMA loan limit.

Fees test:.

The points and fees will consist of all fees payable to the creditor and/or mortgage broker, and the maximum prepayment fees and penalties that may be charged under the documents, although up to 1% of the prepayment penalty may be excluded if the prepayment penalty may not be charged more than 30 months after closing. Up to 2 bona-fide discount points may also be excluded if the undiscounted interest rate does not exceed the Average Prime Offer Rate (APOR) by more than 1 percentage point, or up to 1 bona-fide discount points may be excluded if the undiscounted interest rate does not exceed the Average Prime Offer Rate (APOR) by more than 2 percentage points. The attorney fee may be excluded if the borrower is provided with a notice of a right to choose their own attorney (see below under Disclosures Required).

All liens:

If the points and fees exceed 5% of the total loan amount for a loan amount of \$24,866 or more, or the lesser of 8% of the total loan amount or \$1,243 for a loan amount less than \$24,866, then the transaction is a high-cost loan.

APR threshold test:

The transaction is a high-cost loan if the following occurs:

For a first-lien, the APR exceeds APOR as of the date the interest rate is set by more than 6.5%.

For a subordinate lien, the APR exceeds APOR as of the date the interest rate is set by more than 8.5%.

Prepayment penalty test:

The transaction is considered a state high-cost loan if on a closed-end loan the prepayment penalty is charged more than 30 months after the loan closing or exceeds more than an aggregate 2% of the amount prepaid. On an open-end loan (HELOC), the transaction is considered a state high-cost loan if the prepayment penalty may be collected or charged: more than 30 months after the closing if the borrower does not have a right or option to repay the outstanding balance at a fixed interest rate over a period of time; if the borrower does have a right or option to repay, more than 30 months after the date the borrower voluntarily exercises their right or option to repay the outstanding balance at a fixed rate over a specified period of time; or the amount of prepayment penalties may exceed 2% of the amount prepaid.

Additional limitations:

- No call provision.
- No balloon payment.
- No negative amortization.
- No increased interest rate after default.
- No advance payments.
- No lending without due regard to repayment ability.
- No financing of fees or charges.
- No modification or deferral fees
- No lending without homeownership counseling
- Points and fees may not be charged if the proceeds are used to refinance an existing high-cost home loan held by the same lender
- No shifting of liability to the closing agent or closing attorney
- 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.

Disclosures required:

If the attorney fee is to be excluded from the points and fees test, the Notice of Right to Select Attorney must be provided to borrower with the initial disclosures. This is Doc ID 1109 in the PPDocs, Inc. document library.

Underlying Regulation:

NC High Cost Home Loan Law: [NC General Statutes §24-1.1E](#)

https://ncleg.gov/EnactedLegislation/Statutes/HTML/BySection/Chapter_24/GS_24-1.1E.html#:~:text=%2D%20A%20lender%20may%20not%20charge,a%20high%2Dcost%20home%20loan.