

NEW JERSEY HIGH-COST RECAP

What loans are subject to rule:

A consumer-purpose loan secured by a 1-6 primary dwelling to a natural person or trust. The loan amount covered is not to exceed \$556,429.97.

Fees test:

Closed-end loans will include all fees payable to the creditor and/or mortgage broker by the borrower at or before the loan closing, including any credit insurance (except premiums paid post-closing on monthly basis), the maximum prepayment penalty amounts that may be charged under the loan terms, or any prepayment penalties incurred on a same creditor refinance. A HELOC will include the points and fees known at or before closing, including the maximum prepayment penalties which may be charged or collected under the loan terms, plus the minimum additional fees the borrower would be required to pay to draw down an amount equal to the total credit line.

The total points and fees may exclude either up to two bona fide discount points if the undiscounted interest rate does not exceed APOR by more than 2% on a first lien, or 3.5% for a subordinate lien; or the prepayment penalty may be excluded if the APR does not exceed APOR by more than 2% and does not permit prepayment fees or penalties in excess of 2% of the amount prepaid.

If the total points and fees exceed the following limitations, the loan is considered a high-cost:

4.5% of the total loan amount of \$40,000 or more;

6% of the total loan amount between \$20,000 and \$39,999; or

The lesser of 6% of the total loan amount or \$1,000 for a total loan amount less than \$20,000

APR threshold test:

The transaction is considered 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%.

Additional limitations:

- No balloon payment
- No negative amortization terms
- Interest rate can't increase after default (disregard ARM changes)
- High-cost notice must be provided at least three days prior to closing
- If any points and fees are financed, borrower homeownership counseling is required
- 2% limitation of points and fees that are financed
- No financing of credit insurance

- No encouragement of default in anticipation of high-cost home loan closing
- Max late payment of 5% for 15 days or more
- Debt acceleration prohibited.
- Advance payments are prohibited in excess of two periodic payments from the loan proceeds
- 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.
- No fee may be charged to modify or defer payments due
- No points and fees may be charged if loan is refinancing a high-cost home loan held by same creditor.

Disclosures required:

A Notice to Borrower must be provided at least 3 days prior to closing. This is Doc ID 9168 in the PPDocs, Inc. document library.

Underlying Regulation:

NJ Home Ownership Security Act of 2002 (NJSA 46:10B-22 et seq)

<https://lis.njleg.state.nj.us/nxt/gateway.dll?f=templates&fn=default.htm&vid=Publish:10.1048/Enu>