

OHIO HIGH-COST RECAP

What loans are subject to rule:

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

Fees included:

All amounts payable by a borrower at or before the closing of a home loan, excluding any interest or time-price differential due at closing on the loan proceeds. This includes all compensation to the creditor and/or broker, except any fees paid to a federal or state government agency (including FHA and VA) to insure payment of the home loan, or an amount not to exceed 1% in indirect mortgage broker compensation paid by any source, is excluded from the points and fees test.

The loan is considered a high-cost transaction if points and fees exceed:

- 5% of total loan amount if the total loan amount is \$25,000 or more; or
- 8% of total loan amount if total loan amount is less than \$25,000.

APR threshold test:

The loan is considered a high-cost transaction if:

First Lien: The APR exceeds APOR as of the date on which the interest rate for the transaction is set by more than 6.5%

Subordinate Lien: The APR exceeds APOR as of the date on which the interest rate for the transaction is set by more than 8.5%

Additional limitations:

- No Prepayment penalty – Any method of computing a refund of unearned scheduled interest is a prepayment penalty if it is less favorable to the borrower than the actuarial method. This restriction does not apply to a prepayment penalty imposed in accordance with HOEPA
- No Negative Amortization
- No Advance Payments
- No Rebate of Interest – may not include terms under which a rebate of interest arising from a loan acceleration due to default is calculated by a method less favorable than the actuarial method.
- No Default Interest Rate
- No Balloon Payments less than 5 years, unless loan has a maturity of less than 1 year if the purpose of the loan is a bridge loan connected with the acquisition or construction of a dwelling intended to become the borrower's principal dwelling.

- Payments to Contractors prohibited under home improvement, unless payable to borrower or jointly (borrower and contractor); or at the election of borrower, by a 3rd party escrow agent per agreement between borrower, lender and contractor before payment date.
- No loan acceleration provision.
- Credit Insurance may not be financed.
- Lender may not refinance a previous high-cost mortgage with another high-cost mortgage unless refinance is in borrower's benefit.
- May not replace or consolidate a zero interest rate or other low-rate loan made by a governmental or nonprofit lender with a high-cost mortgage within first 10 years of low-rate loan unless the current lienholder consents to the refinance in writing.
- DTI may not exceed 50% of the consumer's gross monthly income unless the consumer submits verification of prepurchase counseling, and a disclosure acknowledging the risk of entering into such a loan.
- Lender must take consumer's ability to repay into account when underwriting a high-cost mortgage.

Disclosures required: Ohio has two disclosures that are required. The Disclosure of the Right Not to Close, which is Doc ID 2506 in the PPDocs, Inc. document library, and the Covered Loan Disclosure, which is Doc ID 9081 in the PPDocs, Inc. document library.

Underlying Regulation: Ohio Predatory Lending Act: [Ohio Revised Code Sections 1349.25 et seq.](#)