

PENNSYLVANIA HIGH-COST RECAP

What loans are subject to rule: Consumer-purpose loans in an amount of less than \$100,000 secured by the borrower's primary residence, excluding temporary or bridge transactions.

Fees included:

Pennsylvania follows the 1026.32 fee test, and includes the APR fees payable to a creditor, mortgage broker, and/or its affiliates in the fee test.

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

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.

APR threshold test:

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

First lien: APR exceeds 6.5% over APOR as of the date on which the interest rate for the transaction is set.

Subordinate lien: APR exceeds 8.5% over APOR as of the date on which the interest rate for the transaction is set.

Additional limitations:

- 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.
- Single Pay Credit Insurance requires an insurance notice.
- No Advance Payments
- No loan acceleration provision (except via default, due-on-sale, fraud, or other action/inaction that adversely affects lender's security).
- No Balloon Payments in less than 10 years, unless the loan is a bridge loan in connection with the purchase or construction of a dwelling intended to become the borrower's principal residence.
- No Negative Amortization unless gross income exceeds 150% of median family income.
- No Default Interest Rate unless an ARM, not due to default.
- No points may be charged if the high-cost home loan is refinancing an existing high-cost loan held by same lender and closed within last year.
- High-cost home loan may not be used to refinance no-interest or low-interest loans secured by home within first 10 years of loan term unless current lienholder consents in writing.
- Lender must take borrower's ability to repay into account when underwriting high-cost home loan.
- No Prepayment penalty after 5 years, and prepayment fee is only included if lender also offers loan product without prepayment penalty.

Disclosures required: The Notice to Borrower (Doc ID 4430 in the PPDocs, Inc. document library) must be provided on all high-cost transactions at least 3 business days prior to closing.

If creditor is offering credit insurance on a prepaid single premium basis, then the Insurance Notice to Borrower must be provided at closing. This is Doc ID 4429 in the PPDocs, Inc. document library.

Underlying Regulation: Mortgage Bankers and Brokers and Consumer Equity Protection Act of 1989

<https://www.dobs.pa.gov/Documents/Statutes/Mortgage%20Bankers%20and%20Brokers%20and%20Consumer%20Equity%20Protection%20ACT%20MBBCEPA.pdf>