



TILA Section 32 (HCM/HOEPA) Breakdown

From: Compliance Team

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Subject: TILA Section 32 (HCM/HOEPA) Breakdown

General:

This TILA section applies to a high-cost mortgage secured by the consumer's principal dwelling.

Consumer Loan Type:

All consumer-purpose loans secured by the consumer's principal dwelling except:

- Reverse Mortgage subject to §1026.33
- Transaction to finance initial construction of a dwelling, although one-time closings are not included in this exception
- Transaction originated by a Housing Finance Agency where the Housing Finance Agency is the creditor for the transaction
- Transaction originated pursuant to the United States Department of Agriculture's Rural Development Section 502 Direct Loan Program

Thresholds:

As of January 1, 2025, the points and fees may not exceed 5% of the total loan amount for a loan amount of \$26,968 or more, or the lesser of 8% of the total loan amount or \$1,348 for a loan amount less than \$26,968.

The first lien APR cannot exceed APOR by more than 6.5%, and a subordinate lien APR cannot exceed APOR by more than 8.5%. If the dwelling is personal property (such as an unattached mobile home) and the loan amount is less than \$50,000, the APR cannot exceed APOR by more than 8.5%.

The prepayment penalty may not be charged more than 36 months after consummation or account opening, or in an amount more than 2% of the amount prepaid.

The dollar figures are adjusted annually based on CPI.

Requirements:

Section 32 disclosures (Doc IDs 1937 and 5643 in the PPDocs, Inc. document library) must be provided to each consumer at least three business days prior to closing.



The consumer(s) must also complete Homeownership Counseling and provide a certificate of such completion to the creditor prior to closing.

Prohibitions:

A loan that has failed the Section 32 test may not:

- Include a balloon payment
- Include negative amortization
- Include a default interest rate
- Include a prepayment penalty
- Include a demand feature, other than for default
- Include a late charge of more than 4% of the payment amount or earlier than 15 days after payment is due
- Finance any points or fees included in the Section 32 points and fees calculation.

Resources:

Reg. Z § 1026.32: <https://www.consumerfinance.gov/rules-policy/regulations/1026/32/>