

Connecticut

STATE HIGH COST/PREDATORY LENDING REGULATIONS

Last Updated: May 2016

LAW: CT Abusive Home Loan Lending Practices Act (CT General Statutes Volume 10, Chapter 669, Section 36a-746, as amended 2015 SB924)

LOAN AMOUNT COVERED: FNMA Limits

BORROWERS COVERED:

- | | | | |
|-------------------------------------|---------------|-------------------------------------|--------|
| <input checked="" type="checkbox"/> | Individuals | <input checked="" type="checkbox"/> | Trusts |
| <input type="checkbox"/> | Organizations | <input type="checkbox"/> | Other: |

TOTAL LOAN AMOUNT (TLA) IS DEFINED AS: US § 1026.32

- | | | | |
|-------------------------------------|--|--------------------------|-------------|
| <input type="checkbox"/> | Loan Amount as defined in HOEPA 226.32 | <input type="checkbox"/> | Note Amount |
| <input checked="" type="checkbox"/> | Loan Amount as defined in HCML 1026.32 | <input type="checkbox"/> | Other: |

LOAN TYPES COVERED:

- | | | | |
|-------------------------------------|--------------|-------------------------------------|-----|
| <input checked="" type="checkbox"/> | Conventional | <input checked="" type="checkbox"/> | FHA |
| <input checked="" type="checkbox"/> | VA | <input checked="" type="checkbox"/> | RHS |
| <input type="checkbox"/> | Other: | | |

LOAN PURPOSES COVERED:

- | | | | |
|-------------------------------------|----------------------------|-------------------------------------|------------------------------------|
| <input checked="" type="checkbox"/> | Purchase | <input checked="" type="checkbox"/> | Construction to Perm |
| <input type="checkbox"/> | Builder | <input checked="" type="checkbox"/> | Refinance |
| <input checked="" type="checkbox"/> | Equity Out | <input checked="" type="checkbox"/> | Home Equity Closed End |
| <input checked="" type="checkbox"/> | One Time Closing | <input type="checkbox"/> | Modification |
| <input checked="" type="checkbox"/> | Purchase Plus Improvements | <input checked="" type="checkbox"/> | Refinance Plus Improvements |
| <input type="checkbox"/> | Lot Loan | <input checked="" type="checkbox"/> | Home Improvement |
| <input checked="" type="checkbox"/> | Borrower Interim | <input checked="" type="checkbox"/> | One Time Closing with Modification |
| <input checked="" type="checkbox"/> | HELOC | <input checked="" type="checkbox"/> | Assumption |

BRIDGE LOANS COVERED

- | | | | |
|-------------------------------------|-----|--------------------------|----|
| <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|-------------------------------------|-----|--------------------------|----|

PROPERTY OCCUPANCY COVERED:

- | | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------|
| <input checked="" type="checkbox"/> | Primary Residence | <input checked="" type="checkbox"/> | Second Home |
| <input type="checkbox"/> | Investment | <input type="checkbox"/> | Raw Land |

APR THRESHOLDS: https://www.cga.ct.gov/current/pub/chap_669.htm#sec_36a-746

- | | | | | | |
|-------------------------------------|-----|--------------------------|--------------|--------------------------|--------|
| <input checked="" type="checkbox"/> | APR | <input type="checkbox"/> | Unteased APR | <input type="checkbox"/> | Other: |
|-------------------------------------|-----|--------------------------|--------------|--------------------------|--------|

First Lien: 6.5 %

Subordinate Lien: 8.5 %

APR COMPARED AGAINST: US § 1026.32

- | | | | |
|-------------------------------------|----------------|--------------------------|------------|
| <input checked="" type="checkbox"/> | APOR | <input type="checkbox"/> | APR Itself |
| <input type="checkbox"/> | Treasury Yield | <input type="checkbox"/> | Other: |

DATE FOR APR TEST:

Application
 Other: Date interest rate is set

Closing

FEE TEST METHOD: CT General Statutes Section 36a-746a amended by 2015 SB924

Use HC Flag
 Use APR & Paid To (§1026.32)
 Use APR & Paid To, except: [Include PMI etc..]

FEE TEST THRESHOLDS: CT General Statutes Section 36a-746a amended by 2015 SB924

All liens: > or = 5 % of TLA >\$20,350
Lesser of 8% or \$1,017 for TLA < \$20,350

ADJUSTMENTS:

No Yes | How: Adjusts annually per CPI

FEES INCLUDED IN TEST: CT General Statutes Section 36a-746a amended by 2015 SB924

Same as Regulation Z TILA §1026.32

(E) is a credit transaction described by 12 C.F.R. Section 226.32, as amended, except that the term includes a residential mortgage transaction, as defined by 12 C.F.R. Section 226.2, as amended, if the total loan amount is \$20,000 or more and:

(i) the annual percentage rate exceeds the rate indicated in 12 C.F.R. Section 226.32(a)(1)(i), as amended; or

(ii) the total points and fees payable by the consumer at or before loan closing will exceed the amount indicated in 12 C.F.R. Section 226.32(a)(1)(ii), as amended.

(2) "Points and fees" has the meaning assigned by 12 C.F.R. Section 226.32(b), as amended .

OTHER ITEMS TO BE TESTED/CONSIDERED:

SPECIAL NOTES: CT General Statutes Section 36a-746a amended by 2015 SB924

Sec. 36a-746c. Prohibited provisions in loan agreement. A high cost home loan shall not provide for or include the following:

(1) For a loan with a term of less than seven years, a payment schedule with regular periodic payments that when aggregated do not fully amortize the outstanding principal balance, except that this limitation does not apply to a loan with maturities of less than one year if the purpose of the loan is a bridge loan, as used in 12 CFR 1026.32, as amended from time to time, connected with the acquisition or construction of a dwelling intended to become the borrower's principal dwelling;

(2) A payment schedule with regular periodic payments that cause the principal balance to increase;

(3) A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds, unless such payments are required to be escrowed by a governmental agency;

(4) A refund calculated by a method less favorable than the actuarial method, as defined by Section 933(d) of the Housing and Community Development Act of 1992, 15 USC 1615(d), as amended from time to time, for rebates of interest arising from a loan acceleration due to default;

(5) A prepayment penalty;

(6) A waiver of participation in a class action or a provision requiring a borrower, whether acting individually or on behalf of others similarly situated, to assert any claim or defense in a nonjudicial forum that: (A) Utilizes principles which are inconsistent with the law as set forth in the general statutes or common law; (B) limits any claim or defense the borrower may have; or (C) is less convenient, more costly or more dilatory for the resolution of a dispute than a judicial forum established in this state where the borrower may otherwise properly bring a claim or defense; or

(7) A call provision that permits the lender, in its sole discretion, to accelerate the indebtedness. This prohibition shall not apply when repayment of the loan is accelerated by bona fide default, pursuant to a due-on-sale clause provision, or pursuant to another provision of the loan agreement unrelated to the payment schedule including, but not limited to, bankruptcy or receivership.

(P.A. 01-34, S. 5; P.A. 02-12, S. 2; P.A. 08-176, S. 64; P.A. 09-207, S. 8; P.A. 14-7, S. 6.)

CT Also has Higher Priced Test considered "Nonprime Home Loans"

"Nonprime home loan" means any loan or extension of credit, excluding an open-end line of credit, any mortgage insured under Title II of the National Housing Act, 12 USC 1701 et seq. as amended from time to time, that satisfies the requirements for a qualified mortgage set forth in 24 CFR 203.19(b), as amended from time to time, and a reverse mortgage transaction, as defined in 12 CFR 1026.33, as amended from time to time:

(A) In which the borrower is a natural person;

(B) The proceeds of which are to be used primarily for personal, family or household purposes;

(C) In which the loan is secured by a mortgage upon any interest in one-to-four family residential real property located in this state which is, or when the loan is made, intended to be used or occupied by the borrower as a principal residence;

(D) In which the principal amount of the loan does not exceed four hundred seventeen thousand dollars;

(E) Where the loan is not a CHFA loan; and

(F) In which the conditions set forth in subparagraph (F)(i) of this subdivision apply, subject to any adjustments made pursuant to subparagraph (F)(ii) of this subdivision:

(i) The difference, at the time of consummation, between the APR for the loan or extension of credit and the average prime offer rate for a comparable transaction, as of the date the interest rate is set, is greater than one and one-half percentage points if the loan is a first mortgage loan or three and one-half percentage points if the loan is a secondary mortgage loan. For purposes of this subparagraph, "average prime offer rate" has the meaning as provided in 12 CFR 1026.35, as amended from time to time. For purposes of this clause, the date the interest rate is set is the last date the interest rate is set, provided the rate is adjusted on or before consummation.

(ii) The commissioner shall have the authority, after consideration of the relevant factors, to increase the percentages set forth in subparagraph (F)(i) of this subdivision. For purposes of this clause, the relevant factors to be considered by the commissioner shall include, but not be limited to, the existence and amount of increases in fees or charges in connection with purchases of mortgages by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and increases in fees or charges imposed by mortgage insurers and the impact, including the magnitude of the impact, that such increases have had, or will likely have, on APRs for mortgage loans in this state. When considering such factors, the commissioner shall focus on those increases that are related to the deterioration in the housing market and credit conditions. The commissioner may refrain from increasing such percentages if it appears that lenders are increasing interest rates or fees in bad faith or if increasing the percentages would be contrary to the purposes of sections 36a-760 to 36a-760f, inclusive, as amended by this act. No increase authorized by the commissioner to a particular percentage shall exceed one-quarter of one percentage point, and the total of all increases to a particular percentage under this clause shall not exceed one-half of one percentage point. No increase shall be made unless: (I) The increase is noticed in the Banking Department Bulletin and the Connecticut Law Journal, and (II) a public comment period of twenty days is provided. Any increase made under this clause shall be reduced proportionately when the need for the increase has diminished or no longer exists. The commissioner, in the exercise of his discretion, may authorize an increase in the percentages with respect to all loans or just with respect to a certain class or classes of loans.