

# Pennsylvania

## STATE HIGH COST/PREDATORY LENDING REGULATIONS

Last Updated: 2/28/18 By: BH

Coded: 3/5/2018 By: ZB

Reviewed: 3/5/2018 By: BH

**LAW:** Consumer Equity Protection Act (Public Law 687, No. 90; PA Stat Ann 456.501 et al)

**LOAN AMOUNT COVERED:** Principal loan amount less than \$100,000

**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:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

- |                                     |                                        |                          |             |
|-------------------------------------|----------------------------------------|--------------------------|-------------|
| <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 type="checkbox"/>            | Borrower Interim           | <input type="checkbox"/>            | One Time Closing with Modification |
| <input checked="" type="checkbox"/> | HELOC                      | <input checked="" type="checkbox"/> | Assumption                         |

**BRIDGE LOANS COVERED**

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

**PROPERTY OCCUPANCY COVERED:**

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

**APR THRESHOLDS:**

[http://www.banking.state.pa.us/banking/lib/banking/laws\\_and\\_regulations/statutory%20guidance/mortgagebankersandbrokersconsumersact.pdf](http://www.banking.state.pa.us/banking/lib/banking/laws_and_regulations/statutory%20guidance/mortgagebankersandbrokersconsumersact.pdf)

- |                                     |     |                          |              |                          |        |
|-------------------------------------|-----|--------------------------|--------------|--------------------------|--------|
| <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:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

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

**DATE FOR APR TEST:**

Application  Closing  
 Other: Date interest rate is set

**FEE TEST METHOD:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

Use HC Flag  
 Use APR & Paid To (§1026.32)  
 Use APR & Paid To, except:

**FEE TEST THRESHOLDS:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

All liens: > or = 5 % of TLA  $\geq$  \$21,032  
Lesser of 8% or \$1,052 for TLA < \$21,032

**ADJUSTMENTS:**

No  Yes | How: Adjusts annually per CPI

**FEES INCLUDED IN TEST:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

Same as Section 32 except with state-required disclosure for loans less than \$100,000.00

**OTHER ITEMS TO BE TESTED/CONSIDERED:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

(f) Limitations on prepayment fees.--The following limitation on prepayment fees shall be observed:

- (1) A prepayment fee or penalty shall be permitted only during the first 60 months after the date of execution of a covered loan.
- (2) A lender shall not include a prepayment fee in a covered loan unless it also makes available a loan product without a prepayment fee.
- (3) No prepayment fee or penalty may be charged on a refinancing of a covered loan with a covered loan if the covered loan being refinanced is owned by the refinancing lender at the time of such refinancing.

**SPECIAL NOTES:** Public Law 687, No. 90; PA Stat Ann 456.501 et al

Section 511. Limitations on covered loan terms.

(a) Limitation of balloon payment.--No covered loan may contract for a scheduled payment that is more than twice as large as the average of earlier scheduled monthly payments unless such balloon payment becomes due and payable not less than 120 months after the date of the loan. This prohibition does not apply when the payment scheduled is adjusted to account for the seasonal or irregular income of the obligor or if the purpose of the loan is a bridge loan connected with or related to the acquisition or construction of a dwelling intended to become the obligor's principal dwelling.

(b) No call provision.--No covered loan may contain a call provision that permits the lender in its sole discretion to accelerate the indebtedness. This prohibition does not apply when repayment of the loan has been accelerated:

- (1) by default;
- (2) pursuant to a due-on-sale provision;
- (3) where there is fraud or material misrepresentation by an obligor in connection with the loan; or
- (4) where there is any action or inaction by the obligor that adversely affects the lender's security for the loan or any rights of the lender in such security.

(c) No negative amortization.--Except for loans to obligors with gross income in excess of 150% of median family income, no covered loan may contract for a payment schedule with regular periodic payments that cause the principal balance to increase. This subsection shall not prohibit negative amortization as a consequence of a temporary forbearance or restructure consented to by the obligor.

(d) No increased interest rate upon default.--No covered loan may contract for any increase in the interest rate as a result of a default. This provision shall not apply to periodic interest rate changes in a variable rate loan otherwise consistent with the provisions of the loan agreement provided the change in the interest rate is not occasioned by the event of default or permissible acceleration of the indebtedness.

(e) No advance payments.--No covered loan may include terms under which any periodic payments required under the loan are paid in advance from the loan proceeds.

(f) Limitations on prepayment fees.--The following limitation on prepayment fees shall be observed:

(1) A prepayment fee or penalty shall be permitted only during the first 60 months after the date of execution of a covered loan.

(2) A lender shall not include a prepayment fee in a covered loan unless it also makes available a loan product without a prepayment fee.

(3) No prepayment fee or penalty may be charged on a refinancing of a covered loan with a covered loan if the covered loan being refinanced is owned by the refinancing lender at the time of such refinancing.

(511 added June 25, 2001, P.L.621, No.55)