

# STATE HIGH COST/PREDATORY LENDING REGULATIONS

**State:** Connecticut

**Law:** CT Abusive Home Loan Lending Practices Act

**Cite:** CT General Statutes Volume 10, Chapter 669, Section 36a-746

**Public Link:** <http://www.cga.ct.gov/2007/pub/titles.htm> (Scroll down to Volume 10, Chapter 669)  
Senate Bill 949 effective 10/1/2009 – not available on website till Fall

**Loans Covered:**  Conventional  FHA  VA

**Loan Amount:** 417,000 until July 1, 2010 then FNMA limits

**Loan Purposes Covered:**  Purchase  Construction/Perm (refinance of construction loan)

Construction  Refinance  Home Equity/closed end

HELOC  Bridge Loan (refinance and purchase if greater than one year term)  One-time Closing

Purchase Plus  Refinance Plus  Home Improvement

One time with modification  Reverse

**Borrower(s) Covered:** Natural Person

**Property Covered:** Owner occupied 1-4 residence.

**Total Loan Amount is:**  SAME AS HOEPA/SECTION 32

NOTE AMOUNT

**APR Test:** In which the conditions set forth in clauses (i) and (ii) of this subparagraph apply, subject to any adjustments made pursuant to clause (iii) of this subparagraph:

- (i) The difference, at the time of consummation, between the APR for the loan and the conventional mortgage rate is either equal to or greater than
  - (I) one and three-quarters percentage points, if the loan is a first mortgage loan, or
  - (II) three and three-quarters percentage points, if the loan is a secondary mortgage loan. For purposes of such calculation, “conventional mortgage rate” means the contract interest rate on commitments for fixed-rate mortgages published by the board of governors of the federal reserve system in its statistical release H.15, or any publication that may supersede it, during the week preceding the week in which the interest rate for the loan is set.
- (ii) 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 226.35, as amended from time to time.

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**Fee Test:** 1<sup>st</sup> & Subordinate Liens - No actual “test” but has the following rules:  
Sec. 36a-746e. Prohibited acts by lender. In the making of a high cost home loan no lender shall:

(3) Charge, impose or cause to be paid, directly or indirectly, prepaid finance charges that exceed in the aggregate, the greater of five per cent of the principal amount of the loan or two thousand dollars. If the proceeds of a high cost home loan are used to refinance an existing loan, the aggregate of the prepaid finance charges for the current refinancing and any previous high cost home loan financings or financings subject to the provisions of section 36a-498a, by the same lender or affiliate of the same lender within two years of the current refinancing shall not exceed the greater of five per cent of the principal amount of the initial loan, or two thousand dollars. The provisions of this subdivision do not prohibit a lender from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in addition to those permitted by this subdivision in connection with any additional proceeds received by the borrower in the refinancing, provided such prepaid finance charges on the additional proceeds shall not exceed five per cent of the additional proceeds. For purposes of this subdivision, “additional proceeds” means: (A) For a closed-end loan, the amount by which the new loan exceeds the current principal balance of the existing loan, and (B) for an open-end loan, the amount by which the line of credit on the new loan exceeds the maximum credit limit of the existing loan;

(4) Charge a borrower any fees to modify, renew, extend or amend a high cost home loan or defer any payment due under a high cost home loan, if after the modification, renewal, extension or amendment, the loan is still a high cost home loan, or if no longer a high cost home loan, the APR has not been reduced by at least two percentage points. For purposes of this subdivision, “fees” does not include interest that is otherwise payable and consistent with the provisions of the loan documents. The provisions of this subdivision do not prohibit a lender from charging, imposing or causing to be paid, directly or indirectly, prepaid finance charges in connection with any additional proceeds, as defined in subdivision (3) of this section, received by the borrower in connection with the modification, renewal, extension or amendment, provided the prepaid finance charges on the additional proceeds do not exceed five per cent of the additional proceeds. The provisions of this subdivision do not apply if the existing high cost home loan is sixty or more days delinquent and the modification, renewal, extension, amendment or deferral is part of a work-out process;

**Fees to Include or Exclude:** (See link to law for more details)

“Prepaid finance charge” means any finance charge determined in accordance with 12 CFR Section 226.4, as from time to time amended, that is paid separately in cash or by check before or at consummation of a loan or extension of credit or withheld from the proceeds of such transaction at any time, except the term includes any fees or commissions payable to the lender or broker in connection with the sale of credit life, accident, health, disability or unemployment insurance products or unrelated goods or services sold in conjunction with the loan or extension of credit when the cost of such insurance products or goods or services is prepaid with the proceeds of the loan or extension of credit and financed as part of the principal amount of the loan or extension of credit, and excludes premiums, fees and any other amounts paid to a governmental agency, any amounts required to be escrowed by a governmental agency and interim interest;

**Special Notes:**

No balloon less than 7 years unless a bridge loan

No negative AM

No prepayment penalty

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