

FEDERAL HIGH COST/PREDATORY LENDING REGULATIONS
Effective with applications taken 10/01/2009

Reg Z (TILA) Section

LAW: 12 CFR 226

CITE: Subpart E – 226.32

PUBLIC LINK: <http://www.fdic.gov/regulations/laws/rules/6500-1400.html>

LOAN COVERED: Conventional FHA VA

MAXIMUM LOAN AMOUNT COVERED:

LOAN PURPOSES COVERED Purchase Construction/Perm

Construction Refinance Home Equity/**closed end** HELOC

One-time Closing Purchase Plus Refinance Plus Bridge Loan

Home Improvement One time with modification Reverse Mtg.

BORROWER(S) COVERED: Natural Persons or Trusts

PROPERTY COVERED: Borrower(s)' Primary Residence 1-4 units

TOTAL LOAN AMOUNT (TLA) IS Amount financed in the Truth-in-lending disclosure

APR TEST: 1ST LIEN >8%

SUBORDINATE LIEN >10

Based upon the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the fifteenth day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor;

FEE TEST: >8% of TLA

FEES TO INCLUDE OR EXCLUDE (See link to law for exact list) the total points and fees payable by the consumer at or before loan closing will exceed the greater of 8 percent of the total loan amount, or \$400; the \$400 figure shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index that was reported on the preceding June 1.

Includes all compensation paid to mortgage brokers but not YSP

Legal Disclaimer: This is a good faith summary Federal Reg Z 226.32 predatory lending laws. This is not legal advice. It is not a substitute for legal advice. See the referenced link to the actual law for further details and clarification.

SPECIAL NOTES:

Balloon notes are not allowed if the term is less than 5 years. Loans with a term of 12 months or less are exempt from this rule

No negative amortization, no increase in interest rate upon default

Beginning 10/01/2009 (7) Prepayment penalty exception. A mortgage transaction subject to this section may provide for a prepayment penalty (including a refund calculated according to the rule of 78s) otherwise permitted by law if, under the terms of the loan:

(i) The penalty will not apply after the two-year period following consummation; (previously it was 5 years);

(ii) The penalty will not apply if the source of the prepayment funds is a refinancing by the creditor or an affiliate of the creditor;

(iii) At consummation, the consumer's total monthly debt payments (including amounts owed under the mortgage) do not exceed 50 percent of the consumer's monthly gross income, as verified in accordance with Sec. 226.34(a)(4)(ii); and

(iv) The amount of the periodic payment of principal or interest or both may not change during the four-year period following consummation.

xi. For 2006, \$528, reflecting a 3.51 percent increase in the CPI-U from June 2004 to June 2005, rounded to the nearest whole dollar.

xii. For 2007, \$547, reflecting a 3.55 percent increase in the CPI-U from June 2005 to June 2006, rounded to the nearest whole dollar.

xiii. For 2008, \$561, reflecting a 2.56 percent increase in the CPI-U from June 2006 to June 2007, rounded to the nearest whole dollar.

xiv. For 2009, \$583, reflecting a 3.94 percent increase in the CPI-U from June 2007 to June 2008, rounded to the nearest

As of January 1, 2010 the amount will be \$579