

# STATE HIGH COST/PREDATORY LENDING REGULATIONS

**State:** Kentucky

**Law:** KY Revised Statutes

**Cite:** KRS Chapter 360.100  
KY HB 552 passed 4/15/08 creating new section of Chapter 286

**Public Link:** <http://www.lrc.ky.gov/KRS/360-00/100.PDF>  
<http://www.lrc.ky.gov/RECORD/08RS/HB552.htm>

**Loan Covered:**  Conventional  FHA  VA

Exempts HUD approved lenders who have been approved 5 or more years, federal and state chartered financial institutions. Their affiliates are no longer exempt

**Maximum Loan Amount Covered:** Principal amount \$15,000 up to and including \$200,000

**Loan Purposes Covered:**

<input checked="" type="checkbox"/> Purchase	<input checked="" type="checkbox"/> Construction/Perm
<input checked="" type="checkbox"/> Construction	<input checked="" type="checkbox"/> Refinance
<input type="checkbox"/> HELOC	<input checked="" type="checkbox"/> Home Equity/closed end
<input checked="" type="checkbox"/> One-time Closing	<input checked="" type="checkbox"/> One-time Closing
<input checked="" type="checkbox"/> Purchase Plus	<input checked="" type="checkbox"/> Refinance Plus
<input checked="" type="checkbox"/> Home Improvement	<input checked="" type="checkbox"/> Home Improvement
<input checked="" type="checkbox"/> One time with modification	<input checked="" type="checkbox"/> Bridge Loan

**Borrower(s) Covered:** Natural person or trust

**Property Covered:** Borrower's primary residence

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

**APR Test:** **1<sup>st</sup> Lien** >8%  
**Subordinate Lien** >10%

**Fee Test:** > Under KY Fair lending Act, threshold is greater of 6% of total loan amount or \$3,000

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

Include - Prepaid finance charges other than prepaid interest and fees not prepaid finance charges but paid to an affiliate of lender or that portion of fee kept by lender. YSP is now included in the calculation. PMI is to be included.

Exclude: MIP/VA Funding Fee, fees that are not prepaid finance charges and paid to unaffiliated 3<sup>rd</sup> party.

**Special Notes:**

Special video required to be shown to borrowers

Legal Disclaimer: This is a good faith summary of this state's high cost/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.

Escrows are required  
Interest only loans are prohibited

#### New Net Income Limitations

The expense to the consumer that an originating lender or broker can receive is capped at the greater of \$2,000 or 4 percent of the total loan amount, whichever is greater.

The total loan amount is the amount financed minus the net income. Service released premiums that are listed on the HUD-1 at closing are included in the net income calculation. Premiums that are realized after closing are not considered net income for the purposes of this calculation. The amount financed is the face amount of the note, which includes the fees.

The following charges are to be included: all fees, income or compensation of any kind collected, received or charged by the person originating the loan, including but not limited to origination fees, broker fees, lender fees, discount points if retained by the originating person as income, processing fees, administrative fees, document preparation fees, yield spread premiums, servicing release premiums and financial counseling fees. The following charges are not to be included: interest on the mortgage loan itself or fees paid to compensate unaffiliated third parties.

Any fees passed on to third parties shall be contracted at rates that are in the best interest of the borrower. Sham arrangements shall be considered in violation of KRS 286.8.

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