

STATE HIGH COST/PREDATORY LENDING REGULATIONS

Revised February 26, 2015

State: New Jersey

Law: NJ Home Ownership Security Act of 2002

Cite: NJSA 46:10B-22 et seq

Public Link: http://www.njleg.state.nj.us/2002/bills/pl03/64_.pdf

Loan Covered: Conventional FHA VA

Maximum Loan Amount Covered: \$461,087.86. Changes each January 1.

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

Construction Refinance Home Equity/closed end

HELOC Bridge Loan One-time Closing

Purchase Plus Refinance Plus Home Improvement

One time with modification Reverse

Borrower(s) Covered: Natural Persons & Trusts who sign the note

Property Covered: Borrower(s)' Primary Residence 1-6 units

Total Loan Amount is: SAME AS HOEPA/SECTION 32

NOTE AMOUNT

APR Test: Same as Section 32/ High Cost Mortgage Loans

Fee Test: (a) 4.5% of the total loan amount if the loan amount is \$40,000 or more; or
(b) 6% if the loan amount is \$20,000 or more but less than \$40,000; or
(c) Lesser of 6% of the loan amount or \$1,000, if the loan amount is less than \$20,000

Fees to include/exclude (See link to law for exact list)

Same as Section 32/High Cost Mortgage Loan

Special Notes:

[Changes effective January 1, 2014] The following definitions apply:

"High-cost home loans" means a home loan for which the principal amount of the loan does not exceed [\$452,288.55], which amount shall be adjusted annually to include the last published increase of the housing component of the national Consumer Price Index, New York-Northeastern New Jersey Region, in which the terms of the loan meet or exceed one or more of the thresholds as defined.

Legal Disclaimer: This is a good faith summary of the 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.

"Home loans" means an extension of credit primarily for personal, family or household purposes, including an open-end credit plan, other than a reverse mortgage transaction, in which the loan is secured by: (1) A mortgage or deed of trust on real estate in this State upon which there is located or there is to be located a one to six family dwelling which is or will be occupied by a borrower as the borrower's principal dwelling; or (2) A security interest in a manufactured home which is or will be occupied by a borrower as the borrower's principal dwelling.
[NJ Stat Ann 46:10B-24; 2013 NJ Bulletin 13-20]

"Bona fide discount points" means loan discount points which are:

- (1) Knowingly paid by the borrower;
- (2) Paid for the express purpose of reducing, and which result in a reduction of, the interest rate or time-price differential applicable to the loan;
- (3) In fact reducing the interest rate or time-price differential applicable to the loan from an interest rate which does not exceed the conventional mortgage rate for a home loan secured by a first lien, by more than two percentage points, or for a home loan secured by a junior lien, by more than three and one half percentage points; and
- (4) Recouped within the first five years of the scheduled loan payments. Loan discount points will be considered to be recouped within the first five years of the scheduled loan payments if the reduction in the interest rate that is achieved by the payment of the loan discount points reduces the interest charged on the scheduled payments such that the borrower's dollar amount of savings in interest over the first five years is equal to or exceeds the dollar amount of loan discount points paid by the borrower.

Thresholds - A "rate threshold" consistent with HOEPA is included in this provision.

"Total points and fees threshold" means that the total points and fees payable by the borrower at or before the loan closing, excluding either a conventional prepayment penalty or up to two bona fide discount points, exceed:
(a) 4.5% of the total loan amount if the total loan amount is \$40,000 or more; or
(b) the lesser of 6% of the total loan amount or \$1,000, if the total loan amount is less than \$20,000, and 6% if the total loan amount is \$20,000 or more but less than \$40,000.

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