

September 2023

NOO PREPAYMENT PENALTIES ON BUSINESS-PURPOSE LOANS

(Applies Only to Non-Owner Occupied Properties)



Prepayment Penalty Guide

General Compliance

All Business Purpose loans are exempt from TILA/TRID.

- **High Priced Mortgage Loans (HPML):** Not applicable to business purpose loans.
- **High-Cost Mortgage Loans:** Federal High Cost is not applicable to business purpose loans. State and Local High-Cost Loans are not permitted.
- **Points and Fees:** 5% maximum does not apply.

Prepayment Options:

- 6 months interest: 6 months interest on the amount paid greater than 20% of the original unpaid balance, or
- Flat Structure: 3-, 4-, or 5-year PPP at 5% of any amount prepaid during the prepayment penalty term . Best Priced.

Prepayment Penalty Guidelines

5 prepayment terms are offered¹

- No pre-pay
- 1-year
- 2-year
- 3-year
- 4-year
- 5-year

¹ **Applies to payoff due to sale or refinance (hard prepay)

**State Restrictions: Not all states allow a prepayment penalty.

1-5-year Prepayment Allowed

- Arizona
- Alabama
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Indiana
- Iowa
- Kentucky
- Mississippi
- Maine
- Maryland
- Massachusetts
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- North Carolina
- North Dakota
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Virginia
- Washington
- West Virginia
- Wisconsin
- Wyoming

Maximum 4-year

- Missouri

Maximum 3-year

- DC
- Louisiana

Maximum 2-Year

- Oklahoma

Prepayment Penalty Not Allowed in the Following States

- Alaska
- Iowa
- Ohio
- Kansas
- Michigan
- Minnesota
- New Mexico
- Rhode Island

State Restrictions (See Footnotes)

- Illinois²
- New Jersey³
- Pennsylvania⁴
- Colorado⁵
- Maryland⁶
- Oklahoma¹⁶
- Mississippi⁷
- North Carolina⁸
- Texas⁹
- Vermont¹⁰
- Hawaii¹¹
- North Carolina¹²
- South Carolina¹³
- Virginia¹⁴
- Louisiana¹⁵

Qualifications and Assumptions: This survey assumes that the subject loans (i) are for a business purpose, that is, not for a personal, family, or household purpose; (ii) are secured by residential real property consisting of one-to-four family dwelling units; and (iii) are secured by residential real property that will not be owner-occupied at any time during the life of the loan. In addition, for purposes of this survey, we have assumed that the business-purpose loans in question do not include short term business purpose loans or reverse mortgage loans (or their equivalent designation under state law).

² Not allowed if vested to an individual.

Allowed if vested to an LLC. Maximum Rate of 8%, Minimum Loan Amount \$250K

³ Not allowed if vested to an individual.

Allowed if vested to an LLC.

⁴ Loan amounts < \$301,022 ineligible for PPP. Loan amounts >= \$301,022 are eligible.

⁵ Cash Out not permitted, Maximum Rate 12%

⁶ Loan amount <\$75,000

⁷ Declining 5%-1%, Maximum Rate 8%

⁸ Not allowed if vested to an individual.

Allowed if vested to an LLC

⁹ Cash Out not permitted, Maximum Rate 12%, Homestead not eligible.

¹⁰ Vermont State High-Cost loans are ineligible.

¹¹ Properties in Lava Flow Zones 1 or 2 are not allowed, ARM not allowed. Must state in the

note the terms of the prepay.

¹² Minimum Loan Amount \$300K

¹³ Minimum Loan Amount \$240,001

¹⁴ Minimum Loan Amount \$240,001

¹⁵ Declining 3%- 1%

¹⁶ Max penalty- 2%-1% of Loan Amount Prepaid