

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 603 Session of  
1989

INTRODUCED BY HAGARTY, FEBRUARY 15, 1989

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE,  
FEBRUARY 15, 1989

AN ACT

1 Amending the act of January 30, 1974 (P.L.13, No.6), entitled  
2 "An act regulating agreements for the loan or use of money;  
3 establishing a maximum lawful interest rate in the  
4 Commonwealth; providing for a legal rate of interest;  
5 detailing exceptions to the maximum lawful interest rate for  
6 residential mortgages and for any loans in the principal  
7 amount of more than fifty thousand dollars and Federally  
8 insured or guaranteed loans and unsecured, noncollateralized  
9 loans in excess of thirty-five thousand dollars and business  
10 loans in excess of ten thousand dollars; providing  
11 protections to debtors to whom loans are made including the  
12 provision for disclosure of facts relevant to the making of  
13 residential mortgages, providing for notice of intention to  
14 foreclose and establishment of a right to cure defaults on  
15 residential mortgage obligations, provision for the payment  
16 of attorney's fees with regard to residential mortgage  
17 obligations and providing for certain interest rates by banks  
18 and bank and trust companies; clarifying the substantive law  
19 on the filing of and execution on a confessed judgment;  
20 prohibiting waiver of provisions of this act, specifying  
21 powers and duties of the Secretary of Banking, and  
22 establishing remedies and providing penalties for violations  
23 of this act," imposing a limitation on service charges and  
24 finance charges.

25 The General Assembly of the Commonwealth of Pennsylvania  
26 hereby enacts as follows:

27 Section 1. The definition of "actual settlement costs" in  
28 section 101 of the act of January 30, 1974 (P.L.13, No.6),

1 referred to as the Loan Interest and Protection Law, is amended  
2 to read:

3 Section 101. Definitions.--As used in this act:

4 "Actual settlement costs" means reasonable sums paid for:

5 (a) Any insurance premiums which have been approved by the  
6 Insurance Commissioner of the Commonwealth.

7 (b) Title examination and search, and examination of public  
8 records.

9 (c) The preparation and recording of any or all documents  
10 required by law or custom for settlement.

11 (d) Appraisal and/or survey of property securing the loan.

12 (e) A single service charge, which shall include any  
13 consideration paid by the residential mortgage debtor and  
14 received and retained by the residential mortgage lender for or  
15 related to the acquisition, making, refinancing or modification  
16 of a residential mortgage loan, plus any consideration received  
17 by the residential mortgage lender for making a mortgage  
18 commitment, whether or not an actual loan follows such  
19 commitment.

20 The service charge and the finance charge shall not exceed  
21 [one per cent of the original bona fide principal amount of the  
22 loan, except that in the case of a construction loan, the  
23 service charge shall not exceed two per cent of the original  
24 bona fide principal amount of the loan] the amount provided for  
25 in section 402.1.

26 (f) Charges and fees necessary for or related to the  
27 transfer of the property or the closing of the residential  
28 mortgage loan, paid by the residential mortgage debtor and  
29 received by any party other than the residential mortgage  
30 lender, whether or not paid by the residential mortgage debtor

1 directly to the third party or to the residential mortgage  
2 lender for payment to the third party.

3 \* \* \*

4 Section 2. The act is amended by adding a section to read:

5 Section 402.1. Limitation on Service Charge and Finance  
6 Charge.--(a) A residential mortgage lender shall not charge a  
7 single service charge or points or similar fees in connection  
8 with the acquisition, making, refinancing or modification of a  
9 residential mortgage loan except to the extent that the service  
10 charge, points or similar fees constitute:

11 (1) reimbursement for reasonable originating or underwriting  
12 expenses, as determined by the Secretary of Banking, incurred by  
13 the residential mortgage lender; and

14 (2) reimbursement for any commitment or other fees paid or  
15 to be paid by the residential mortgage lender for the intended  
16 purposes of selling residential mortgage loans in the secondary  
17 mortgage market.

18 (b) Subsection (a) shall not apply to residential mortgages  
19 guaranteed or insured in whole or in part by the Federal  
20 Government, or agency thereof, as enumerated in section 302.

21 Section 3. This act shall take effect in 60 days.