

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2182 Session of  
1989

INTRODUCED BY KUKOVICH, TRICH, FOX, GIGLIOTTI, TIGUE, TANGRETTI,  
NAHILL, JOSEPHS, BELARDI, PESCI, MORRIS, LAUGHLIN, BILLOW,  
VEON, PISTELLA, TRELLO, CARN, BELFANTI, FREEMAN, COHEN,  
McHALE AND HARPER, DECEMBER 12, 1989

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE,  
DECEMBER 12, 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," prohibiting certain fees or charges when the  
24 interest rate on a loan exceeds a certain amount.

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

27 Section 1. The act of January 30, 1974 (P.L.13, No.6),

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

3 Section 203. Limit on Fees and Charges.--(a) Except as  
4 otherwise specifically provided by a statute of this  
5 Commonwealth, in any loan, mortgage, credit sale or advance,  
6 where the annual percentage rate is greater than six percentage  
7 points above the rate established by section 301(b), it shall be  
8 unlawful to charge or collect any fees or charges except  
9 interest amortized under the actuarial method over the term of  
10 the loan. The fees or charges prohibited by this section  
11 include, but are not limited to:

12 (1) Prepaid interest, points or origination fees.

13 (2) Service charges of any kind, including charges for  
14 preparation of documents.

15 (3) Charges or premiums for insurance of any kind.

16 (4) Application fees.

17 (5) Late payment or delinquency charges.

18 (6) Charges for checks returned for insufficient funds.

19 (7) Prepayment penalties.

20 (8) Charges for title examination, abstract of title,  
21 title insurance, property survey or similar purposes.

22 (9) Notary, appraisal and credit report fees.

23 (10) Broker fees.

24 (11) Attorney fees.

25 (b) With respect to any loan, mortgage, credit sale, or  
26 advance, where the annual percentage rate is greater than six  
27 percentage points above the rate established under section  
28 301(b), each page of the note, contract, mortgage or disclosures  
29 given to the borrower shall contain, immediately above the place  
30 for a borrower's signature or, if no signature line appears on

1 the document, at the top of the document, the following language  
2 in print no less than three-quarters of an inch high:

3 WARNING: THIS IS A HIGH COST CONTRACT WITH FINANCE  
4 CHARGES HIGHER THAN THOSE ALLOWED BY THE LAWS OF  
5 PENNSYLVANIA. SHOP AROUND TO SEE IF YOU CAN GET A BETTER  
6 RATE.

7 (c) Any creditor who fails to comply with the requirements  
8 of subsection (b) with respect to any person is liable to such  
9 person in an amount equal to the sum of the following:

10 (1) Any actual damage sustained by such person as a  
11 result of the failure.

12 (2) Twice the amount of any finance charge in connection  
13 with the transaction or \$2,500, whichever is less.

14 (3) Reasonable attorney's fees and costs.

15 (d) Any lender who makes more than three loans in a calendar  
16 year, where the annual percentage rate is greater than six  
17 percentage points above the rate established under section  
18 301(b), shall report on a monthly basis to the Secretary of  
19 Banking:

20 (1) The amount financed in each loan.

21 (2) The loan yield of each loan.

22 (3) The total amount financed in all loans.

23 (e) It is the intention of this section to limit, to the  
24 maximum extent possible, the preemption of the laws of this  
25 Commonwealth relating to interest and other charges by Federal  
26 law. If this section is found to be contrary to Federal law, the  
27 other provisions of this section shall remain in full force and  
28 effect.

29 Section 2. This act shall take effect in 60 days.