

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 483 Session of
2007

INTRODUCED BY BROWNE, FERLO, BOSCOLA, PILEGGI, ERICKSON, COSTA,
BAKER AND WASHINGTON, MARCH 15, 2007

AS REPORTED FROM COMMITTEE ON COMMERCE, HOUSE OF
REPRESENTATIVES, AS AMENDED, JUNE 11, 2008

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," ~~defining "department"; and further providing~~ <—
24 ~~for the definition of "residential mortgage" and for the~~
25 ~~duties of the Department of Banking.~~ FURTHER PROVIDING FOR <—
26 DEFINITIONS, FOR MAXIMUM LAWFUL INTEREST RATES, FOR
27 RESIDENTIAL MORTGAGE INTEREST RATES, FOR PENALTIES AND FOR
28 ENFORCEMENT.

29 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. The definition of "residential mortgage" in
3 section 101 of the act of January 30, 1974 (P.L.13, No.6),
4 referred to as the Loan Interest and Protection Law, and more
5 commonly referred to as the Usury Law, amended April 6, 1979
6 (P.L.15, No.4), is amended and the section is amended by adding
7 ~~a definition~~ DEFINITIONS to read: <—

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

9 * * *

10 "BASE FIGURE." TWO HUNDRED SEVENTEEN THOUSAND EIGHT HUNDRED <—
11 SEVENTY-THREE DOLLARS (\$217,873), AS ADJUSTED ANNUALLY FOR
12 INFLATION BY THE DEPARTMENT THROUGH NOTICE PUBLISHED IN THE
13 PENNSYLVANIA BULLETIN.

14 "Department" means the Department of Banking of the
15 Commonwealth.

16 * * *

17 "Residential mortgage" means an obligation to pay a sum of
18 money in an original bona fide principal amount of [fifty
19 thousand dollars (\$50,000) or less] ~~two hundred thousand dollars~~ <—
20 ~~(\$200,000) or less, adjusted annually for inflation by the~~
21 ~~Department of Banking through notice published in the~~
22 ~~Pennsylvania Bulletin~~ THE BASE FIGURE OR LESS, evidenced by a <—
23 security document and secured by a lien upon real property
24 located within this Commonwealth containing two or fewer
25 residential units or on which two or fewer residential units are
26 to be constructed and shall include such an obligation on a
27 residential condominium unit.

28 * * *

29 Section 2. Section 201 of the act is amended to read:

30 Section 201. Maximum Lawful Interest Rate.--(a) Except as

1 provided in Article III of this act, the maximum lawful rate of
2 interest for the loan or use of money in an amount of fifty
3 thousand dollars (\$50,000) or less in all cases where no express
4 contract shall have been made for a less rate shall be six per
5 cent per annum.

6 (b) The maximum lawful rate of interest set forth in this
7 section shall not apply to:

8 (1) an obligation to pay a sum of money in an original bona
9 fide principal amount of more than fifty thousand dollars
10 (\$50,000);

11 (2) an unsecured, noncollateralized loan in excess of
12 thirty-five thousand dollars (\$35,000); or

13 (3) business loans of any principal amount.

14 Section 3. Section 301(f) of the act, amended October 5,
15 1978 (P.L.1100, No.258), is amended to read:

16 Section 301. Residential Mortgage Interest Rates.--* * *

17 (f) The maximum lawful rate of interest set forth in this
18 section [and in Article II of this act] shall not apply to (i)
19 an obligation to pay a sum of money in an original bona fide
20 principal amount of more than [fifty thousand dollars (\$50,000)]

21 ~~two hundred thousand dollars (\$200,000), adjusted annually for~~ <—
22 ~~inflation by the department through notice published in the~~

23 ~~Pennsylvania Bulletin THE BASE FIGURE;~~ (ii) an obligation to pay <—

24 a sum of money in an original bona fide principal amount of
25 [fifty thousand dollars (\$50,000) or less] ~~two hundred thousand~~ <—

26 ~~dollars (\$200,000) or less, adjusted annually for inflation by~~
27 ~~the department through notice published in the Pennsylvania~~

28 ~~Bulletin THE BASE FIGURE OR LESS,~~ evidenced by a security <—
29 document and secured by a lien upon real property, other than
30 residential real property as defined in this act; [(iii) to a

1 loan to a person subject to the act of April 27, 1927 (P.L.404,
2 No.260), entitled "An act prohibiting corporations from pleading
3 usury as a defense," section 313 of the act of May 5, 1933
4 (P.L.364, No.106), known as the "Business Corporation Law," or
5 Title 15 Pa.C.S. section 7544; or (iv) an unsecured,
6 noncollateralized loan in excess of thirty-five thousand dollars
7 (\$35,000);] or (v) business loans [the principal amount of which
8 is in excess of ten thousand dollars (\$10,000)] of any principal
9 amount.

10 Section 4. Sections 505 and 506 of the act are amended to
11 read:

12 Section 505. Penalties.--(a) Any person who knowingly and
13 intentionally violates the provisions of this act shall be
14 guilty of a misdemeanor of the third degree.

15 (b) Any person who violates a provision of this act shall be
16 subject to a fine levied by the department of ten thousand
17 dollars (\$10,000) per offense.

18 Section 506. Enforcement.--(a) When the Attorney General
19 has reason to believe that any person has violated the
20 provisions of this act, or the regulations promulgated
21 hereunder, he shall have standing to bring a civil action for
22 injunctive relief and such other relief as may be appropriate to
23 secure compliance with this act or the regulations promulgated
24 hereunder.

25 (b) The department may examine any instrument, document,
26 account, book, record, electronic data or file of any person, or
27 make such other investigation as may be necessary to administer
28 the provisions of this act. Any person subject to such
29 examination or investigation shall pay the department any costs
30 associated with such examination or investigation. In connection

1 with any examination or investigation authorized by this act,
2 the department shall have the power to issue subpoenas requiring
3 the attendance of, or the production of pertinent books, papers,
4 electronic data or information of any kind which is in any form
5 by, the officers, directors, agents, employees, or members,
6 respectively, of any person which the department is authorized,
7 under the provisions of this act, to examine. The department
8 shall have power to issue subpoenas to any other person or
9 entity of any kind whatsoever provided that the information from
10 such person or entity is necessary for the enforcement of this
11 act. The department shall also have the power to question such
12 witnesses under oath or affirmation, and to examine such books
13 and papers. Any witness who refuses to obey a subpoena issued
14 under this section, or who refuses to be sworn or affirmed, or
15 to testify, or who is guilty of any contempt after summons to
16 appear, may be found in contempt of court. For this purpose, an
17 application may be made to Commonwealth Court or any court of
18 common pleas within whose territorial jurisdiction the offense
19 was committed, for which purpose such court is hereby given
20 jurisdiction.

21 (c) If the department determines that a person has violated
22 the provisions of this act, the department may do any of the
23 following:

24 (1) Suspend, revoke or refuse to renew any license issued to
25 the person by the department.

26 (2) Prohibit or permanently remove an individual responsible
27 for a violation of this act from working in his or her present
28 capacity or in any other capacity related to activities
29 regulated by the department.

30 (3) Order the person to cease and desist any violation of

1 this act and to make restitution for actual damages to any
2 aggrieved person.

3 (4) Require the person to pay costs associated with any
4 department enforcement action initiated under the provisions of
5 this act.

6 (5) Impose such other conditions by order or otherwise as
7 the department deems appropriate.

8 Section 5. This act shall take effect in 60 days.