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# What the new high-cost mortgage protections mean for consumers



Consumer Financial  
Protection Bureau

If a lender offers you a high-cost mortgage, where the annual percentage rate (APR) or points and fees charged exceed certain threshold amounts, the Home Ownership and Equity Protection Act (HOEPA) provides you with special consumer protections. Starting in January 2014, stronger protections will apply to these types of loans. For example, before making a loan, your lender must:

- Provide you with information in advance that explains you are getting a high-cost mortgage, and stating the terms, costs and fees associated with the loan.
- Certify that you have received homeownership counseling about the particular high-cost mortgage the lender is offering you.

These special protections apply to any of the following types of mortgages that also meet HOEPA's coverage thresholds:

- The first mortgage to buy your home
- A loan to refinance the mortgage on your home
- A home equity loan or home equity line of credit (HELOC)

## What's a high-cost mortgage?

You'll get additional consumer protections if your loan is:

- For a first mortgage, and your APR is more than 6.5 percentage points higher than the average prime offer rate, which is an estimate of the rate people with good credit typically pay for a similar first mortgage.
- For less than \$50,000, is for a personal property dwelling (such as a manufactured home), and has an APR more than 8.5 percentage points higher than the average prime offer rate for a similar mortgage.
- For a second, or junior mortgage, and your APR is more than 8.5 percentage points higher than the average prime offer rate for a similar second mortgage.
- For less than \$20,000 and the points and fees you pay exceed the lesser of 8 percent of your loan or \$1,000, or your loan is for \$20,000 or more and the points and fees you pay exceed 5 percent of your loan.

# Goodbye to troubling loan features

HOEPA also limits or bans some loan features for high-cost mortgages. For example, if you have a high-cost mortgage, lenders can no longer add many kinds of fees and charges to the amount you borrow, a practice that led to abuses in the past.

For high-cost mortgages, the new rule also bans:

- Fees for paying all or part of your loan early (like when you refinance your mortgage).
- “Balloon” payments<sup>a</sup> – big payments at the end of loans that are more than twice the regular payment amounts – except in special circumstances.
- Late fees larger than 4 percent of your regular payment.
- Most fees for getting a statement of how much you still owe on your mortgage (called a payoff statement).
- Fees for loan modifications, if you have trouble and can’t pay your mortgage.
- Creditors or brokers from advising homeowners refinancing into high-cost mortgages not to make their payments on an existing loan.

## **HOEPA doesn’t apply when:**

- You borrow money to finance the initial construction of a new home (generally called a “construction loan”)
- You get a loan directly from a Housing Finance Authority
- You use the U.S. Department of Agriculture’s Rural Housing Service section 502 Direct Loan Program
- You get a reverse mortgage

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<sup>a</sup> After our new rule goes into effect in January 2014, you can still get a high-cost mortgage with a balloon payment in some situations. When you get your income in irregular intervals, rather than as a weekly/monthly salary; when the creditor operates in a predominantly rural or underserved area, and your mortgage meets other criteria; or when you get a temporary “bridge” loan in connection with the purchase of a new house, you can still opt for a balloon-payment mortgage.

# What to do if your lender doesn't follow the rules

If you think your lender is not following the rules that apply to high-cost mortgages, the Consumer Financial Protection Bureau wants to know. You can get in touch with us in any of these ways.

**Online:** [www.consumerfinance.gov/complaint](http://www.consumerfinance.gov/complaint)

**By telephone** (in 187 languages):

(855) 411-CFPB (2372)

Español (855) 411-CFPB (2372)

TTY/TDD (855) 729-CFPB (2372)

8 a.m. to 8 p.m. Eastern, Monday–Friday

**By mail:** Consumer Financial Protection Bureau

P.O. Box 4503

Iowa City, Iowa 52244

**By fax:** (855) 237-2392

HOEPA is one of many rules that protect you when you get a mortgage. Our website has information on many other consumer protection laws and regulations that apply to mortgages at [www.consumerfinance.gov/regulations/](http://www.consumerfinance.gov/regulations/)