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As of July 1, 2002, California also has a law covering high-rate/high-fee loans. The law contains special rules regarding balloon payments, prepayment penalties, the borrower's ability to repay the loan, and many others. It also requires that the loan have a tangible benefit to the consumer. With certain specified exceptions, a "covered loan" is a consumer credit transaction that is secured by a one- to four-unit dwelling that is the borrower's principal residence and where the APR exceeds by 8 points or more the yield on Treasury Securities having a similar term, or, the total points and fees, as defined, payable by the consumer at or before closing will exceed 6 percent of the total loan amount. The maximum amount covered is the most current Fannie Mae single-family first mortgage conforming loan limit.

As of October 11, 2009, California also has a law covering higher-priced mortgage loans. The law contains special rules regarding prepayment penalty and the borrower's ability to repay the loan. A higher-priced mortgage is a first lien on a principal dwelling in which the APR exceeds the average rate by 1.5 percent or more or is a junior lien on a principal dwelling in which the APR exceeds the average rate by 3.5 percent or more.

As of April 1, 2011, the Federal Reserve Board enacted rules to limit a mortgage broker's compensation to a single source. This means a broker cannot receive compensation for originating a federally related loan from both the borrower and the lender.

## **CALIFORNIA LAW PROHIBITS DISCRIMINATORY LENDING PRACTICES**

Brokers and lenders are required to give you a Fair Lending Notice that advises you of your right to file a complaint if you feel that you are, or have been, treated in a discriminatory manner in the lending process based on your race, color, religion, sex, marital status, domestic partnership, age, physical or mental disability, medical condition, sexual orientation, familial status, source of income, national origin, or ancestry. It is also illegal to use these factors to discriminate based on the neighborhood surrounding the housing accommodation unless it is required to avoid an unsafe and unsound practice. Brokers or lenders are also required to post a notice in their offices in a conspicuous location.