



State Prepayment Penalty Guide

General Restrictions:

- Prepayment penalties never allowed in IA, KS, MN, or NM
- AR: >3 year PP prohibited
 - Declining structure- up to 3-2-1%
- DC: >3 year PP prohibited.
 - Max penalty 2 months' interest
- GA: >2 year PP prohibited
 - 2% penalty if prepaid within the first year, 1% penalty if prepaid during the 2nd year
- HI: Max Penalty 6 months' interest
- IL: PP prohibited on loans vested to individual borrowers.
 - PP not permitted when APR>8%
 - Cook County- PP prohibited on loan amount <=\$250K
 - Declining structure- up to 5-4-3-2-1%
- KY: >3 year PP prohibited
 - Declining structure- up to 3-2-1%
- LA: Declining structure- up to 5-4-3-2-1%
- MA: >3 year PP prohibited
 - Max penalty 3 months' interest
- MD: Max penalty 2 months' interest
- ME: PP prohibited on ARM loans
- MI: >3 year PP prohibited on
 - Max penalty 1%
- MS: Declining structure- up to 5-4-3-2-1%
- NC: Prohibited on loan amount <=\$150K
- NJ: PP prohibited on loans vested to individual borrowers.
- OH: PP prohibited on loan amount <\$110,223
 - Max penalty 1%
- OK: PP prohibited if APR>13%
- PA: Permitted on 3-4 units and 1-2 units when loan amount >\$312,159
- RI: >1 year PP prohibited
 - Max penalty 2%
- SC: PP prohibited on loan amount <= \$690,000
- TX: PP prohibited if APR>12%
- WI: >3 year PP prohibited on ARM loans
 - Max penalty 2 months' interest
- WV: >3 year PP prohibited
 - Max penalty 1%



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Program-Specific Restrictions: (in addition to those listed above)

- Elite DSCR
 - PP not permitted in KS, MN, NM, ND, or MD*
 - *When a Note is contracted under the Usury Laws (either explicitly or if Choice of Law is not stated)
 - IL: PP prohibited to individual borrowers. Permitted to legal entities when APR is <8%
 - NJ: PP prohibited to individual borrowers. Permitted to legal entities.
 - WA: prohibited on ARM loans. Permitted on fixed rate only.
- Expanded DSCR/No Ratio
 - PP prohibited in KS, MN, NM, and ND
- Elite Non-QM & Premier DSCR
 - PP prohibited in AK, KS, KY, MI, MN, NM, OH, and RI
 - IL: PP prohibited to individual borrowers. Permitted to legal entities when APR is <8%
 - NJ: Prohibited to individual borrowers. Permitted if closing in LLC or corp.
 - PA: PP prohibited if loan amount <=\$312,159
- DSCR+
 - PP not permitted in IL, KS, MN, or NM
 - MI: >1 year PP prohibited
 - Max penalty 1%
 - NJ: PP prohibited to individual borrowers. Permitted to legal entities.
 - OH: >1 year PP prohibited
 - Max penalty 1%
 - RI: >1 year PP prohibited
 - Max penalty 2%

Prepayment Penalty Structures:

- 1) Standard Prepayment Penalty (6 Months' Interest): Penalty term of six months advance interest on the amount prepaid that exceeds 20% of the original balance of the note
- 2) 5% Flat Structure: If within the loan term's prepayment period from the date the Security Instrument is executed, a full or one or more partial prepayments, and the total of all prepayments in any 12-month period exceeds 20% of the original Principal amount of the loan, the prepayment charge will be an amount equal to the 5% flat rate based on the principal amount so prepaid.
- 3) Declining (Tiered) Structure: If within the loan term's prepayment period from the date the Security Instrument is executed, a full or one or more partial prepayments, and the total of all prepayments in any 12-month period exceeds 20% of the original Principal amount of the loan, the prepayment charge will be an amount equal to the below example:
 - a. The 5-year tiered prepayment penalty has a declining payment structure as follows:
 - i. -If paid during the 1st year from the date hereof, 5% of the portion of such prepayment equal to the principal amount so prepaid



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- ii. -If paid during the 2nd year from the date hereof, 4% of the portion of such prepayment equal to the principal amount so prepaid
- iii. -If paid during the 3rd year from the date hereof, 3% of the portion of such prepayment equal to the principal amount so prepaid
- iv. -If paid during the 4th year from the date hereof, 2% of the portion of such prepayment equal to the principal amount so prepaid
- v. -If paid during the 5th year from the date hereof, 1% of the portion of such prepayment equal to the principal amount so prepaid
- vi. After 5 years no prepayment penalty will be applied to the loan

Loan Program Prepayment Penalty Structures: the default structure for each program is listed below. All programs except Premier DSCR must follow the program default. Any/all state restrictions supersede program defaults.

- Elite DSCR: 5% Flat
- Elite Non-QM: Standard (6 Months' Interest)
- MVP1: Standard (6 Months' Interest)
- Expanded DSCR/No Ratio: 5% Flat
- DSCR+: Standard (6 Months' Interest)
- Premier DSCR: option for any of the three