



## 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 2<sup>nd</sup> 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
  - 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%



# MEGA CAPITAL FUNDING, INC.

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

- MVP 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
- MVP
  - MD: >1 year PP prohibited
  - MI: >1 year PP prohibited
  - MS: >3 year PP prohibited
  - OH: >1 year PP prohibited

Prepayment Penalty Structure:

**Unless required by state law, prepayment penalty is a 5% flat fee structure.**

- 1) 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.

**Standard and Declining structures only available when required by state law.**

- 2) Standard Prepayment Penalty ( \_ Months' Interest): Penalty term of \_ months advance interest on the amount prepaid that exceeds 20% of the original balance of the note
- 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
    - 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