State Prepayment Penalty Guide

General Restrictions:

- Prepayment penalties never allowed in IA, KS, MN, NM, or VT
- AR: >3 year PP prohibited
  - Declining structure- up to 3-2-1%
- CO: PP prohibited if APR >12%
- 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. Must be vested to S-Corp or C-Corp
  - 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%
- MO: Max penalty 2%
- 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. Must be vested to S-Corp or C-corp
- OH: PP prohibited on loan amount <$112,957
  - Max penalty 1%
- OK: PP prohibited if APR>13%
- PA: Permitted on 3-4 units and 1-2 units when loan amount >$319,777
- RI: >1 year PP prohibited
  - Max penalty 2%
- ~~SC: PP prohibited on loan amount <= $765,000~~
- 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%
- WY: PP prohibited if APR>18%

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

- MVP
  - MD: >1 year PP prohibited
  - MI: >1 year PP prohibited
  - MS: >3 year PP prohibited
  - OH: >1 year PP prohibited
- SIMPLE MVP
  - PP not permitted in AK, AL, AR, DC, KS, KY, LA, MD, MI, MN, NM, OH, OK, RI, SC, VT or WV
  - IA: PP not permitted on 1-2 unit
  - IN: PP not permitted on ARM
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- Simple Elite
  - PP Not permitted in AK, KS, MD, MN, NM, or ND
  - WA: PP not permitted on ARM loans. Permitted on Fixed loans.

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 occurs, 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