

16a-3-308a. Loans secured by mortgages on consumer's principal residence; negative amortization and balloon payments prohibited. (1) A loan subject to this section may not provide for the negative amortization of principal or a balloon payment. A loan payment is not a balloon payment if the amount of the payment is less than twice the amount of any other payment.

(2) Subsection (1) applies to a consumer loan which is secured by a first mortgage or a second mortgage on the consumer's principal residence and with respect to which (a) the loan-to-value ratio exceeds 100% at the time the loan is made or (b) the annual percentage rate exceeds the code mortgage rate. Notwithstanding the foregoing, subsection (1) does not apply to a loan pursuant to open end credit; a purchase-money loan incurred to acquire or construct the consumer's principal residence; or a reverse mortgage transaction.

(3) The creditor must disburse the proceeds of a consumer loan secured by a first mortgage or a second mortgage upon the satisfaction of all conditions to the disbursement and the expiration of all applicable rescission, cooling-off or other waiting periods required by law, unless the parties otherwise agree in writing.

(4) No person shall record a mortgage if moneys are not available for disbursement to the mortgagor upon the expiration of all applicable rescission, cooling-off or other waiting periods required by law unless, before that recording, the person informs the mortgagor in writing of a definite date by which payment shall be made and obtains the mortgagor's written permission for the delay.

(5) This section shall be supplemental to and a part of the uniform consumer credit code.

History: L. 1999, ch. 107, § 3; L. 2005, ch. 144, § 15; L. 2006, ch. 67, § 1; July 1.