

COUNCIL OF THE DISTRICT OF COLUMBIA

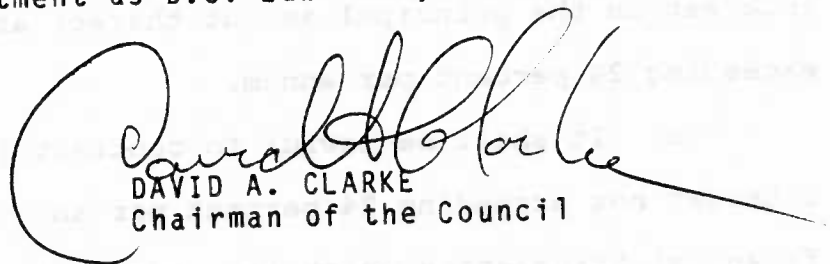
NOTICE

D.C. LAW 5-62

"Interest Rate Ceiling Amendment Act of 1983".

Pursuant to Section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, P. L. 93-198, "the Act", the Council of the District of Columbia adopted Bill No. 5-193 on first and second readings, November 15, 1983 and December 6, 1983, respectively. Following the signature of the Mayor on December 23, 1983, this legislation was assigned Act No. 5-93, published in the January 13, 1984 edition of the D.C. Register, (Vol. 31 page 114) and transmitted to Congress January 4, 1984 for a 30-day review, in accordance with Section 602 (c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the 30-day Congressional Review Period has expired, and therefore, cites this enactment as D.C. Law 5-62, effective March 14, 1984.


DAVID A. CLARKE
Chairman of the Council

Dates Counted During the 30-day Congressional Review Period:

January	23,24,25,26,27,30,31
February	1,2,3,6,7,8,9,21,22,23,24,27,28,29
March	1,2,5,6,7,8,9,12,13

EFFECTIVE DATE

MAR 14 1984

D.C. ACT 5 - 93

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

DEC 23 1983

To amend the interest rate ceiling in the District of Columbia on certain loans, and provide consumer protections; and for other purposes.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,

That this act may be cited as the "Interest Rate Ceiling Amendment Act of 1983".

Sec. 2. D.C. Code, section 28-3301 is amended to read as follows:

D.C. Code,
sec. 28-3301

"(a) Except as otherwise provided in this section, section 28-3308, and chapter 36 of this subtitle, the parties to an instrument in writing for the payment of money at a future time may contract therein for the payment of interest on the principal amount thereof at a rate not exceeding 24 percent per annum.

Note, D.C. Code
secs. 29-901,
28-3311, -3312,
-3313, -3314,
-3301 & -3310
(1981 ed.)

"(b) It shall be lawful to contract for a rate of interest not exceeding 24 percent per annum on a loan or financial transaction which is secured by: (1) a first purchase mortgage or first purchase deed of trust on residential real property; (2) a first purchase security interest in stock or a membership certificate issued to a tenant stockholder or resident member by a cooperative housing organization; or (3) the assignment by way of a first security of the borrower's interest in the proprietary

lease or first right of tenancy in property covered by such organization. The first sentence of this subsection shall apply only to a loan or financial transaction which is both contracted for and consummated after the effective date of the Interest Rate Ceiling Amendment Act of 1983 and for which no written commitment to make the loan or financial transaction at a lower rate of interest was issued by the lender to the borrower prior to the effective date of the Interest Rate Ceiling Amendment Act of 1983.

"(c) It shall be lawful to contract for a rate of interest not exceeding 24 percent per annum on a loan or financial transaction which is secured directly or indirectly by: (1) a mortgage or deed of trust, other than a first purchase mortgage or first purchase deed of trust, on residential real property; (2) a security interest in stock or a membership certificate issued to a tenant stockholder or resident member by a cooperative housing organization; or (3) the assignment by way of a security, other than a first security interest, of the borrower's interest in the proprietary lease or first right of tenancy in property covered by such organization. The first sentence of this subsection shall apply only to a loan or financial transaction which is both contracted for and consummated after the effective date of the Interest Rate Ceiling Amendment Act of 1983 and for which no written commitment to make the loan or financial transaction at a lower rate of interest was issued by the lender to the borrower prior to the effective date of the Interest Rate

"(d) Notwithstanding any other provision of this chapter:

"(1) any loan, except a loan which is secured directly or indirectly by a mortgage or deed of trust on residential real property or by a security interest in stock or a membership certificate issued to a tenant stockholder or resident member by a cooperative housing organization or by the assignment by the way of a security of the borrower's interest in the proprietary lease or right of tenancy in property covered by a cooperative housing organization and the residential real property or cooperative is the place of residence of the borrower, where the borrower receives the use of an amount in excess of \$1,000 shall not be subject to the provisions of this chapter and it shall be lawful to contract for, or receive, any rate of interest thereon if any of the following conditions are satisfied:

"(A) the borrower is a not for profit corporation, whether organized under the laws of the United States, the District of Columbia or any other jurisdiction; or

"(B) the borrower is an individual, group of individuals, corporation, unincorporated association, partnership, or other entity, and the loan is made for the purpose of acquiring or carrying on a business, professional, or commercial activity; or

"(C) the borrower is an individual, a group of individuals, corporation, unincorporated association,

partnership, or any other entity, and the loan is made for the purpose of acquiring any real or personal property as an investment or for carrying on an investment activity; or

"(D) the borrower is a religious society, as referred to in sections 29-901 through 29-916, and the loan is made for the purpose of acquiring or making an improvement on any real or personal property for purposes other than commercial or investment activities.

"(2) any loan where the borrower receives the use of an amount in excess of \$1,000 which is secured directly or indirectly by a mortgage or deed of trust on residential real property or by a security interest in stock or a membership certificate issued to a tenant stockholder or resident member by a cooperative housing organization or by the assignment by the way of a security of the borrower's interest in the proprietary lease or right of tenancy in property covered by a cooperative housing organization and the residential real property or cooperative is the place of residence of the borrower, shall only be subject to the provisions of D.C. Code, sections 28-3301(f), 28-3310, 28-3311, 28-3312, 28-3313, and 28-3314, and it shall be lawful to contract for any rate of interest thereon if any of the conditions set forth in D.C. Code, section 28-3301(d)(1)(A), (B), (C), or (D) are satisfied.

"(3) a lender shall not require a borrower to make any sworn statement or characterization that the loan meets the requirements of subsections (d)(1)(A), (B), (C), or (D) of this section if such statement or characterization

is not true. Nothing contained in this subsection shall be construed to limit a lender's right to request information from the borrower which enables a lender to make a determination that the loan meets the requirements of subsections (d)(1)(A), (B), (C), or (D).

"(e)(1) 'Point' means a fee, premium, bonus, loan origination fee, service charge, or any other charge equal to 1 percent or less of the principal amount of a loan which is charged by the lender at or before the time the loan is made as additional compensation for the loan. The term 'point' shall not include any increase in the purchase price of the residential real property or the first purchase security interest in stock or a membership certificate issued to a tenant stockholder or resident member by a cooperative housing organization or the borrower's interest in a proprietary lease or first right of tenancy in the property covered by such organization which is charged by the seller (i) to recover the cost of compensation to a lender for agreeing to make a loan to the borrower which results in a reduction in the effective rate of interest charged to the borrower or (ii) in the case of a first purchase mortgage or first purchase deed of trust, to recover the cost to the seller of his agreement to reduce the effective rate of interest on the first purchase mortgage or first purchase deed of trust or (iii) any monies deposited by a borrower in a savings account to be applied to subsidize scheduled periodic payments on the loan or financial transaction.

"(2) A lender may not charge a borrower more than 1 point unless the borrower agrees to pay additional points to a lender for the sole purpose of qualifying for and obtaining a loan or financial transaction at a lower rate of interest than would otherwise have been offered. The first sentence of this paragraph shall not apply to loans insured or guaranteed in full or part by the Federal Housing Administration, Veteran's Administration or any other federal agency or to loans or financial transactions described in subsection (d).

"(f) A loan or financial transaction which is secured by a mortgage or deed of trust on residential real property or a security interest in stock or a membership certificate issued to a tenant stockholder or resident member by a cooperative housing organization or the assignment by the way of security of the borrower's interest in the proprietary lease or right of tenancy in property covered by such organization shall meet all of the following requirements:

"(1) the loan or financial transaction may be prepaid by the borrower at no penalty at any time following the expiration of 3 years from the execution of the loan or financial transaction. Within 3 years from the execution of the loan or financial transaction, no prepayment charge or penalty shall be contracted for or received which exceeds an amount equal to 2 months advance interest on the aggregate amount of all prepayments in excess of 1/3 of the amount of the original loan or financial transaction made in any 12

month period.

"(2) any borrower who, on the date of execution of the loan or financial transaction, has made a downpayment equaling 20 percent or more of the total purchase price of the property or who has an equity interest in the property equal to or greater than 20 percent of the fair market value of the property shall not be required by the term of the loan to make advance payments of the real estate taxes or casualty insurance premiums to enable the lender to have funds on hand for disbursement for payment of such taxes or insurance premiums and such borrower shall be furnished with a separate statement, in writing, which clearly and conspicuously sets forth his right to pay such taxes and insurance premiums directly. Nothing contained in this paragraph shall be construed to prohibit the lender from obtaining, during any period during which the loan is in default and in consideration for the lender not exercising some or all of the remedies to which it is entitled, a written agreement from the borrower to make such advance payments to enable the lender to have funds on hand for disbursement for payment of such taxes or insurance premiums.

"(3) prior to the execution of the loan or financial transaction, the lender shall furnish the borrower a separate statement, in writing, which complies with the disclosure provisions of the Truth-In-Lending Act, as heretofore and hereafter amended, effective May 29, 1968 (82 Stat. 146; 150 U.S.C. 1601 et seq.), and the regulations and

interpretations thereunder and, where applicable, a separate statement, in writing, which complies with the disclosure provisions of the Alternative Mortgage Transaction Parity Act of 1982, approved October 15, 1982 (96 Stat. 1545; 12 U.S.C. 3801 et seq.), and the regulations and interpretations thereunder.

"(g) The provisions of this chapter shall not apply to any international banking facility time deposit or international banking facility loan, but shall be governed solely by regulations promulgated by the Board of Governors of the Federal Reserve System. For purposes of this subsection the terms 'international banking facility time deposit' and 'international banking facility loan' shall have the same meaning as defined in part 204.8(a)(2) and (3), respectively, of Federal Reserve System Regulation D (12 CFR 204.8(a)(2) and (3))(1983)."

Sec. 3. D.C. Code, section 28-3308(a) is amended to read as follows:

D.C. Code, se
28-3308
(1983 supp.)

"(a) On a loan (other than a loan directly secured on real estate or a direct motor vehicle installment loan covered by chapter 36 of this subtitle) to be repaid in equal or substantially equal monthly or other periodic installments, including a loan obtained by using a check, credit card, or other device to access a line of credit, any federally insured bank or savings and loan association doing business in the District of Columbia may contract for and receive interest at the rate permitted under this chapter or, in lieu of such interest, a finance charge, which if