

# House Bill 3474

Sponsored by Representative KOTEK; Representatives BARKER, BARNHART, BONAMICI, BOONE, CANNON, CLEM, GILLIAM, ROSENBAUM, SHIELDS, WITT (at the request of Mike Fahey)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires mortgage or trust deed lender to prorate prepayment privilege penalty for prepayments made after first year of loan agreement.

## A BILL FOR AN ACT

1  
2 Relating to prepayment privilege penalties; creating new provisions; and amending ORS 86.150.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 86.150 is amended to read:

5 86.150. (1) Any person making a loan having a loan period of more than three years secured by  
6 a mortgage or by a trust deed on real property located in this state shall, with respect to such loan,  
7 expressly and clearly state on the loan agreement and promissory note any maximum prepayment  
8 privilege penalty. The statement shall include the maximum prepayment **privilege** penalty applicable  
9 for prepayment during the first year of the loan period and for each year thereafter. **After the first**  
10 **year of the loan agreement, the lender shall prorate the prepayment privilege penalty by**  
11 **multiplying the maximum prepayment privilege penalty under the loan by the percentage of**  
12 **the original loan period remaining at the time of the prepayment.**

13 (2) Violation of subsection (1) of this section with respect to a loan agreement or promissory  
14 note shall render any prepayment privilege penalty provision in the agreement void.

15 (3) "Loan agreement" as used in this section means a written document issued in connection  
16 with a particular loan which sets forth the terms upon which the loan will be made. "Loan agree-  
17 ment" does not include a mortgage or trust deed which secures a promissory note. Nothing in this  
18 section shall be deemed to require a lender to issue a loan agreement.

19 (4) This section does not apply to any loan agreement executed on or before September 13, 1967,  
20 or any loan not primarily for personal, family or household use.

21 **SECTION 2.** **The amendments to ORS 86.150 by section 1 of this 2007 Act apply to loan**  
22 **agreements entered into, extended, refinanced or renegotiated on or after the effective date**  
23 **of this 2007 Act.**  
24

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.