

No. 1979-4

AN ACT

SB 430

Amending the act of January 30, 1974 (P.L.13, No.6), entitled "An act regulating agreements for the loan or use of money; establishing a maximum lawful interest rate in the Commonwealth; providing for a legal rate of interest; detailing exceptions to the maximum lawful interest rate for residential mortgages and for any loans in the principal amount of more than fifty thousand dollars and Federally insured or guaranteed loans and unsecured, noncollateralized loans in excess of thirty-five thousand dollars and business loans in excess of ten thousand dollars; providing protections to debtors to whom loans are made including the provision for disclosure of facts relevant to the making of residential mortgages, providing for notice of intention to foreclose and establishment of a right to cure defaults on residential mortgage obligations, provision for the payment of attorney's fees with regard to residential mortgage obligations and providing for certain interest rates by banks and bank and trust companies; clarifying the substantive law on the filing of and execution on a confessed judgment; prohibiting waiver of provisions of this act, specifying powers and duties of the Secretary of Banking, and establishing remedies and providing penalties for violations of this act," further defining "residential mortgage" and "security document."

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The definitions of "residential mortgage" and "security document" in section 101, act of January 30, 1974 (P.L.13, No.6), referred to as the Loan Interest and Protection Law, amended October 5, 1978 (P.L.1100, No.258), are amended to read:

Section 101. Definitions.—As used in this act:

* * *

"Residential mortgage" means an obligation to pay a sum of money in an original bona fide principal amount of fifty thousand dollars (\$50,000) or less, evidenced by a security document and secured by a lien upon real property located within this Commonwealth containing two or fewer residential units or on which two or fewer residential units are to be constructed and shall include such an obligation on a residential condominium unit. **[The term "residential mortgage" shall apply only to transactions where the principal purpose of the transaction is the purchase of, or improvement or repair in connection with the acquisition of, residential real property, but does not include a transaction in which no purpose of the transaction is the purchase, improvement or repair of residential real estate.]**

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"Security document" means a mortgage, deed of trust, real estate sales contract or other document creating upon recordation a lien upon real estate. **[A note or other instrument or document, other than a residential mortgage as defined by this act, evidencing an obligation for the payment of money is not a security document within the meaning of this act by**

reason of an authorization for the entry of a judgment by confession against the obligor if the obligation for the payment of money does not arise out of or in connection with the acquisition by the obligor of real property containing not more than two residential units or on which not more than two residential units are to be constructed or if the obligation arises out of a transaction subject to any statute within the scope of the first sentence of section 604 of this act.]

Section 2. This act shall take effect immediately and shall be retroactive to and including October 5, 1978.

APPROVED—The 6th day of April, A. D. 1979.

DICK THORNBURGH