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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 1865

03/05/2025 Authored by Allen, Cha, Rymer and Perryman
The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

1.1 A bill for an act
1.2 relating to commerce; excluding loans that satisfy the federal qualified mortgage
1.3 points and fees threshold from the definition of conventional loan; amending
1.4 Minnesota Statutes 2024, section 47.20, subdivision 2.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2024, section 47.20, subdivision 2, is amended to read:

1.7 Subd. 2. Definitions. For the purposes of this section the terms defined in this subdivision
1.8 have the meanings given them:

1.9 (1) "Actual closing costs" mean reasonable charges for or sums paid for the following,
1.10 whether or not retained by the mortgagee or lender:

1.11 (a) Any insurance premiums including but not limited to premiums for title insurance,
1.12 fire and extended coverage insurance, flood insurance, and private mortgage insurance, but
1.13 excluding any charges or sums retained by the mortgagee or lender as self-insured retention.

1.14 (b) Abstracting, title examination and search, and examination of public records.

1.15 (c) The preparation and recording of any or all documents required by law or custom
1.16 for closing a conventional or cooperative apartment loan.

1.17 (d) Appraisal and survey of real property securing a conventional loan or real property
1.18 owned by a cooperative apartment corporation of which a share or shares of stock or a
1.19 membership certificate or certificates are to secure a cooperative apartment loan.

1.20 (e) A single service charge, which includes any consideration, not otherwise specified
1.21 herein as an "actual closing cost" paid by the borrower and received and retained by the
1.22 lender for or related to the acquisition, making, refinancing or modification of a conventional

2.1 or cooperative apartment loan, and also includes any consideration received by the lender  
2.2 for making a borrower's interest rate commitment or for making a borrower's loan  
2.3 commitment, whether or not an actual loan follows the commitment. The term service charge  
2.4 does not include forward commitment fees. The service charge shall not exceed one percent  
2.5 of the original bona fide principal amount of the conventional or cooperative apartment  
2.6 loan, except that in the case of a construction loan, the service charge shall not exceed two  
2.7 percent of the original bona fide principal amount of the loan. That portion of the service  
2.8 charge imposed because the loan is a construction loan shall be itemized and a copy of the  
2.9 itemization furnished the borrower. A lender shall not collect from a borrower the additional  
2.10 one percent service charge permitted for a construction loan if it does not perform the service  
2.11 for which the charge is imposed or if third parties perform and charge the borrower for the  
2.12 service for which the lender has imposed the charge.

2.13 (f) Charges and fees necessary for or related to the transfer of real or personal property  
2.14 securing a conventional or cooperative apartment loan or the closing of a conventional or  
2.15 cooperative apartment loan paid by the borrower and received by any party other than the  
2.16 lender.

2.17 (2) "Contract for deed" means an executory contract for the conveyance of real estate,  
2.18 the original principal amount of which is less than \$300,000. A commitment for a contract  
2.19 for deed shall include an executed purchase agreement or earnest money contract wherein  
2.20 the seller agrees to finance any part or all of the purchase price by a contract for deed.

2.21 (3) "Conventional loan" means a loan or advance of credit, ~~other than a~~ Conventional  
2.22 loan does not include the following:

2.23 (a) A loan or advance of credit made by a credit union or made pursuant to section  
2.24 334.011, to a noncorporate borrower in an original principal amount of less than or equal  
2.25 to the conforming loan limit established by the Federal Housing Finance Agency under the  
2.26 Housing and Recovery Act of 2018, Public Law 110-289, secured by a mortgage upon real  
2.27 property containing one or more residential units or upon which at the time the loan is made  
2.28 it is intended that one or more residential units are to be constructed, and which is not insured  
2.29 or guaranteed by the secretary of housing and urban development, by the administrator of  
2.30 veterans affairs, or by the administrator of the Farmers Home Administration, and which  
2.31 is not made pursuant to the authority granted in subdivision 1, clause (3) or (4). The term  
2.32 mortgage does not include contracts for deed or installment land contracts.

2.33 (b) A loan or advance of credit, secured by a mortgage upon real property containing  
2.34 one or more residential units or upon which one or more residential units are intended to

3.1 be constructed at the time the loan or advance of credit is made, in which the points and  
3.2 fees the borrower is charged by all lenders in connection with the loan or advance of credit  
3.3 do not exceed the amounts specified under Code of Federal Regulations, title 12, section  
3.4 1026.43(e)(3).

3.5 (4) "Cooperative apartment loan" means a loan or advance of credit, other than a loan  
3.6 or advance of credit made by a credit union or made pursuant to section 334.011, to a  
3.7 noncorporate borrower in an original principal amount of less than \$100,000, secured by a  
3.8 security interest on a share or shares of stock or a membership certificate or certificates  
3.9 issued to a stockholder or member by a cooperative apartment corporation, which may be  
3.10 accompanied by an assignment by way of security of the borrower's interest in the proprietary  
3.11 lease or occupancy agreement in property issued by the cooperative apartment corporation  
3.12 and which is not insured or guaranteed by the secretary of housing and urban development,  
3.13 by the administrator of veterans affairs, or by the administrator of the Farmers Home  
3.14 Administration.

3.15 (5) "Cooperative apartment corporation" means a corporation or cooperative organized  
3.16 under chapter 308A or 317A, the shareholders or members of which are entitled, solely by  
3.17 reason of their ownership of stock or membership certificates in the corporation or  
3.18 association, to occupy one or more residential units in a building owned or leased by the  
3.19 corporation or association.

3.20 (6) "Forward commitment fee" means a fee or other consideration paid to a lender for  
3.21 the purpose of securing a binding forward commitment by or through the lender to make  
3.22 conventional loans to two or more credit worthy purchasers, including future purchasers,  
3.23 of residential units, or a fee or other consideration paid to a lender for the purpose of securing  
3.24 a binding forward commitment by or through the lender to make conventional loans to two  
3.25 or more credit worthy purchasers, including future purchasers, of units to be created out of  
3.26 existing structures pursuant to chapter 515B, or a fee or other consideration paid to a lender  
3.27 for the purpose of securing a binding forward commitment by or through the lender to make  
3.28 cooperative apartment loans to two or more credit worthy purchasers, including future  
3.29 purchasers, of a share or shares of stock or a membership certificate or certificates in a  
3.30 cooperative apartment corporation; provided, that the forward commitment rate of interest  
3.31 does not exceed the maximum lawful rate of interest effective as of the date the forward  
3.32 commitment is issued by the lender.

3.33 (7) "Borrower's interest rate commitment" means a binding commitment made by a  
3.34 lender to a borrower wherein the lender agrees that, if a conventional or cooperative  
3.35 apartment loan is made following issuance of and pursuant to the commitment, the

4.1 conventional or cooperative apartment loan shall be made at a rate of interest not in excess  
4.2 of the rate of interest agreed to in the commitment, provided that the rate of interest agreed  
4.3 to in the commitment is not in excess of the maximum lawful rate of interest effective as  
4.4 of the date the commitment is issued by the lender to the borrower.

4.5 (8) "Borrower's loan commitment" means a binding commitment made by a lender to a  
4.6 borrower wherein the lender agrees to make a conventional or cooperative apartment loan  
4.7 pursuant to the provisions, including the interest rate, of the commitment, provided that the  
4.8 commitment rate of interest does not exceed the maximum lawful rate of interest effective  
4.9 as of the date the commitment is issued and the commitment when issued and agreed to  
4.10 shall constitute a legally binding obligation on the part of the mortgagee or lender to make  
4.11 a conventional or cooperative apartment loan within a specified time period in the future at  
4.12 a rate of interest not exceeding the maximum lawful rate of interest effective as of the date  
4.13 the commitment is issued by the lender to the borrower; provided that a lender who issues  
4.14 a borrower's loan commitment pursuant to the provisions of a forward commitment is  
4.15 authorized to issue the borrower's loan commitment at a rate of interest not to exceed the  
4.16 maximum lawful rate of interest effective as of the date the forward commitment is issued  
4.17 by the lender.

4.18 (9) "Finance charge" means the total cost of a conventional or cooperative apartment  
4.19 loan including extensions or grant of credit regardless of the characterization of the same  
4.20 and includes interest, finders fees, and other charges levied by a lender directly or indirectly  
4.21 against the person obtaining the conventional or cooperative apartment loan or against a  
4.22 seller of real property securing a conventional loan or a seller of a share or shares of stock  
4.23 or a membership certificate or certificates in a cooperative apartment corporation securing  
4.24 a cooperative apartment loan, or any other party to the transaction except any actual closing  
4.25 costs and any forward commitment fee. The finance charges plus the actual closing costs  
4.26 and any forward commitment fee, charged by a lender shall include all charges made by a  
4.27 lender other than the principal of the conventional or cooperative apartment loan. The finance  
4.28 charge, with respect to wraparound mortgages, shall be computed based upon the face  
4.29 amount of the wraparound mortgage note, which face amount shall consist of the aggregate  
4.30 of those funds actually advanced by the wraparound lender and the total outstanding principal  
4.31 balances of the prior note or notes which have been made a part of the wraparound mortgage  
4.32 note.

4.33 (10) "Lender" means any person making a conventional or cooperative apartment loan,  
4.34 or any person arranging financing for a conventional or cooperative apartment loan. The

5.1 term also includes the holder or assignee at any time of a conventional or cooperative  
5.2 apartment loan.

5.3 (11) "Loan yield" means the annual rate of return obtained by a lender over the term of  
5.4 a conventional or cooperative apartment loan and shall be computed as the annual percentage  
5.5 rate as computed in accordance with sections 226.5 (b), (c), and (d) of Regulation Z, Code  
5.6 of Federal Regulations, title 12, part 226, but using the definition of finance charge provided  
5.7 for in this subdivision. For purposes of this section, with respect to wraparound mortgages,  
5.8 the rate of interest or loan yield shall be based upon the principal balance set forth in the  
5.9 wraparound note and mortgage and shall not include any interest differential or yield  
5.10 differential between the stated interest rate on the wraparound mortgage and the stated  
5.11 interest rate on the one or more prior mortgages included in the stated loan amount on a  
5.12 wraparound note and mortgage.

5.13 (12) "Person" means an individual, corporation, business trust, partnership or association  
5.14 or any other legal entity.

5.15 (13) "Residential unit" means any structure used principally for residential purposes or  
5.16 any portion thereof, and includes a unit in a common interest community, a nonowner  
5.17 occupied residence, and any other type of residence regardless of whether the unit is used  
5.18 as a principal residence, secondary residence, vacation residence, or residence of some other  
5.19 denomination.

5.20 (14) "Vendor" means any person or persons who agree to sell real estate and finance  
5.21 any part or all of the purchase price by a contract for deed. The term also includes the holder  
5.22 or assignee at any time of the vendor's interest in a contract for deed.