MISSISSIPPI LEGISLATURE REGULAR SESSION 2007

By: Representative Miles

To: Banking and Financial Services

HOUSE BILL NO. 229

AN ACT TO AMEND SECTION 75-17-31, MISSISSIPPI CODE OF 1972, TO PROHIBIT THE CHARGING OF A PENALTY FOR THE PREPAYMENT OF ANY LOAN SECURED BY REAL ESTATE IF THE LOAN IS PREPAID AT ANY TIME USING FUNDS RECEIVED FROM AN INSURANCE COMPANY AS PAYMENT FOR A TOTAL OR SUBSTANTIAL LOSS OF THE REAL ESTATE RESULTING FROM A DISASTER; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. Section 75-17-31, Mississippi Code of 1972, is amended as follows:

75-17-31. No lender or other person shall charge a sum or prepayment penalty for the prepayment of any note or evidence of a debt secured in whole or in part by lien on real estate greater than the following:

(a) Five percent (5%) of the unpaid principal balance if prepaid during the first year;

(b) Four percent (4%) of the unpaid principal balance if prepaid during the second year;

(c) Three percent (3%) of the unpaid principal balance if prepaid during the third year;

(d) Two percent (2%) of the unpaid principal balance if prepaid during the fourth year;

(e) One percent (1%) of the unpaid principal balance if prepaid during the fifth year;

(f) No penalty:

(i) If prepaid more than five (5) years from date of the note creating the debt; or

(ii) If prepaid at any time using funds received from an insurance company as payment for a total or substantial

loss of the real estate resulting from a manmade, technological or natural disaster.

This section shall apply only to loans, the security for which is a lien on real estate comprising a single family dwelling or a single family condominium unit, or on real estate used primarily for agricultural or livestock purposes. This section shall not apply where a greater penalty is required by any law or regulation of the United States of America, or agency thereof. In addition, this section shall not apply to any agricultural loan made by an originator or a certified facility in accordance with 12 USCS Section 2279aa et seq. that is included in a pool for which the Federal Agricultural Mortgage Corporation has provided a guarantee.

SECTION 2. This act shall take effect and be in force from and after July 1, 2007.