

## **HOEPA Covered Loan Definition**

Is the Household's mortgage loan subject to HOEPA?

**HOEPA** is defined as the Home Ownership and Equity Protection Act of 1994 (HOEPA). For purposes of the AHP set-aside program data collection and reporting, the term "HOEPA-covered loan" or "HOEPA Loan" generally refers only to mortgages covered by §226.32 of Regulation Z that meet HOEPA's rate or fee-based triggers.

A loan is covered by the law if it meets the following tests: 1) for a first-lien loan, that is, the original mortgage on the property, the annual percentage rate (APR) exceeds by more than eight percentage points the rates on Treasury securities of comparable maturity; 2) for a second-lien loan, that is, a second mortgage, the APR exceeds by more than 10 percentage points the rates in Treasury securities of comparable maturity; or 3) the total fees and points payable by the consumer at or before closing exceed the larger of \$528 or eight percent of the total loan amount. (The \$528 figure is for 2006. This amount is adjusted annually by the Federal Reserve Board, based on changes in the Consumer Price Index.) Credit insurance premiums for insurance written in connection with credit transaction are counted as fees.