

NORTH CAROLINA GENERAL ASSEMBLY  
1977 SESSION

CHAPTER 542  
HOUSE BILL 323

AN ACT TO REENACT G.S. 24-1.1A REMOVING THE INTEREST RATE CEILING ON  
HOME LOANS SECURED BY FIRST MORTGAGES OR DEEDS OF TRUST  
WITHOUT A TIME LIMIT.

The General Assembly of North Carolina enacts:

**Section 1.** Article 1 of Chapter 24 of the General Statutes is hereby amended by repealing G.S. 24-1.1A and Chapter 260 of the 1975 Session Laws and replacing it with a new section to be numbered G.S. 24-1.1A and to read as follows:

**"§ 24-1.1A. Contract rates on home loans secured by first mortgages or first deeds of trust.** — (a) Notwithstanding any other provision of this Chapter, parties to a home loan may contract in writing as follows:

- (1) Where the principal amount is ten thousand dollars (\$10,000) or more the parties may contract for the payment of interest as agreed upon by the parties;
- (2) Where the principal amount is less than ten thousand dollars (\$10,000) the parties may contract for the payment of interest as agreed upon by the parties, if the lender is either (i) approved as a mortgagee by the Secretary of Housing and Urban Development, the Federal Housing Administration, the Veterans Administration, a national mortgage association or any federal agency; or (ii) a local or foreign bank, savings and loan association or service corporation wholly owned by one or more savings and loan associations and permitted by law to make home loans, credit union or insurance company; or (iii) a State or federal agency;
- (3) Where the principal amount is less than ten thousand dollars (\$10,000) and the lender is not a lender described in the preceding subsection (2) the parties may contract for the payment of interest not in excess of ten percent (10%) per annum.

(b) No prepayment fees shall be contracted by the borrower and lender with respect to any home loan where the principal amount borrowed is one hundred thousand dollars (\$100,000) or less; otherwise a lender and a borrower may agree on any terms as to the prepayment of a home loan.

(c) Except as limited by subsection (b) above, a lender may charge to the borrower the fees described in G.S. 24-10.

(d) The loans or investments regulated by G.S. 53-45 shall not be subject to the provisions of this section.

(e) The term 'home loan' shall mean a loan where the principal amount is less than three hundred thousand dollars (\$300,000) secured by a first mortgage or first deed of trust on real estate upon which there is located or there is to be located one or more single-family dwellings or dwelling units."

**Sec. 2.** Any home loan obligation existing before the effective date of this act shall be construed with regard to the law existing at the time the home loan or commitment to lend was made and this act shall only apply to home loans or loan commitments made from and

after the effective date of this act; provided, however, that variable rate home loan obligations executed prior to April 3, 1974, which by their terms provide that the interest rate shall be decreased and may be increased in accordance with a stated cost of money formula or other index shall be enforceable according to the terms and tenor of said written obligations.

**Sec. 3.** If any provision of this Chapter or its application to any person or circumstances is held invalid, the remainder of this Chapter and its applications to other persons or circumstances shall not be affected thereby.

**Sec. 4.** This act shall become effective upon ratification.

In the General Assembly read three times and ratified, this the 13th day of June, 1977.