

NORTH CAROLINA GENERAL ASSEMBLY
1967 SESSION

CHAPTER 852
HOUSE BILL 465

1 AN ACT TO AMEND CHAPTER 24 OF THE GENERAL STATUTES AS IT RELATES TO
2 RESIDENTIAL LOANS.

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4 The General Assembly of North Carolina do enact:

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6 **Section 1.** Chapter 24 of the General Statutes is amended by adding a new Section
7 immediately following G.S. 24-9 to be designated as G.S. 24-10 and to read as follows:

8 "**§ 24-10. Residential Loans.** Notwithstanding any other provisions of this Chapter or any
9 other provisions of the law, any borrower may agree to pay, and any lender may charge and
10 collect from such borrower, interest at any rate agreed upon in writing in excess of six per cent
11 (6%) but not in excess of seven per cent (7%) per annum simple interest on the unpaid principal
12 balance where such loan is either a direct reduction loan or a construction loan and such loan in
13 either instance is secured by a mortgage or deed of trust upon residential property. As to such
14 loan, the penalty and forfeiture of interest imposed under G.S. 24-2 shall not be available in any
15 manner whatsoever to the borrower or anyone else in the borrower's behalf, nor shall the
16 principal or any part thereof be impaired or forfeited. Any loan made pursuant to the provisions
17 of this Section may be prepaid in part or in full, after 30 days notice to the lender, with a
18 maximum prepayment penalty of one per cent (1%) of the outstanding principal balance at any
19 time within one year after the first payment on principal, and thereafter, there shall be no
20 prepayment penalty. As used in this Section:

21 (a) The term 'direct reduction loan' shall mean a loan repayable in consecutive
22 installments payable at least quarterly, equal or unequal, beginning not later than 90 days after
23 execution of the note by the borrower, sufficient to retire the debt including interest and
24 principal, within the time specified, provided no subsequent installment payment of principal
25 and interest shall be greater than any previous installment payment of principal and interest,
26 except that provisions may be contained in such loan which specify that one or more
27 consecutive installments may be lapsed to the extent that installments have been made ahead of
28 schedule, or in the event of an emergency to the borrower affecting his ability to pay, to the
29 extent of no more than the installments becoming due in the next 180 days but nevertheless the
30 full amount of principal and interest shall be paid within the scheduled term of the loan plus
31 any extensions granted the borrower for emergencies as above provided. Provided, however, in
32 the case of a construction loan the first installment shall be payable not later than 18 months
33 after execution of the note by the borrower. Providing further, however, interest on any loan
34 made under the provisions of this Section shall be charged only on the principal balance due
35 after each installment payment.

36 (b) 'Construction' loan means a loan which is obtained for the purpose of financing,
37 fully or in part, the cost of constructing one or more residential dwellings, and by the terms of a
38 written contract between a lender and the borrower loan proceeds are to be disbursed
39 periodically as such construction work progresses and such loans shall be payable in full not
40 later than 18 months after execution of the note by the borrower, except where the borrower has
41 secured a direct reduction loan with deferred first payment date as above provided.

1 (c) The term 'residential property' shall mean real estate upon which there is located, or
2 is to be located by construction thereon, one or more single family dwellings, or dwelling units
3 for not more than four families in the aggregate."

4 **Sec. 1.1.** No lender shall charge or receive from any borrower or any agent for a
5 borrower, or from any agent, seller, or broker, any fee or discount which inures to the benefit of
6 the lender, which fees or discounts in the aggregate, shall be in excess of one per cent (1%) of
7 the principal amount of the loan for any loan made under the provisions of this Act.

8 **Sec. 1.2.** The provisions of this Act shall not apply to any loan made prior to the
9 effective date of this Act.

10 **Sec. 2.** All laws and clauses of laws in conflict with this Act are hereby repealed.

11 **Sec. 3.** This Act shall be in full force and effect from and after its ratification.

12 In the General Assembly read three times and ratified, this the 21st day of June,
13 1967.