

41 P.S. § 201

§ 201. Maximum lawful interest rate

(a) Except as provided in Article III of this act, the maximum lawful rate of interest for the loan or use of money in an amount of fifty thousand dollars (\$50,000) or less in all cases where no express contract shall have been made for a less rate shall be six per cent per annum.

(b) The maximum lawful rate of interest set forth in this section shall not apply to:

(1) an obligation to pay a sum of money in an original bona fide principal amount of more than fifty thousand dollars (\$50,000);

(2) an unsecured, noncollateralized loan in excess of thirty-five thousand dollars (\$35,000); or

(3) business loans of any principal amount.

Credits

1974, Jan. 30, P.L. 13, No. 6, § 201, imd. effective. Amended [2008, July 8, P.L. 824, No. 57, § 2](#), effective in 60 days [Sept. 8, 2008].

41 P.S. § 501

§ 501. Excessive interest need not be paid

When a rate of interest for the loan or use of money, exceeding that provided by this act or otherwise by law shall have been reserved or contracted for, the borrower or debtor shall not be required to pay to the creditor the excess over such maximum interest rate and it shall be lawful for such borrower or debtor, at his option, to retain and deduct such excess from the amount of such debt providing the borrower or debtor gives notice of the asserted excess to the creditor.

Credits

1974, Jan. 30, P.L. 13, No. 6, § 501, imd. effective.

41 P.S. § 505

§ 505. Penalties

(a) Any person who knowingly and intentionally violates the provisions of this act shall be guilty of a misdemeanor of the third degree.

(b) Any person who violates a provision of this act shall be subject to a fine levied by the department of ten thousand dollars (\$10,000) per offense.

Credits

1974, Jan. 30, P.L. 13, No. 6, § 505, imd. effective. Amended [2008, July 8, P.L. 824, No. 57, § 4](#), effective in 60 days [Sept. 8, 2008].

41 P.S. § 301

§ 301. Residential mortgage interest rates

(a) The General Assembly hereby finds that it is necessary and appropriate to establish a flexible maximum lawful interest rate for residential mortgages, as defined in this act, and further finds that the Monthly Index of Long Term United States Government Bond Yields is the appropriate basis on which such a maximum rate of interest may be established.

(b) The maximum lawful rate of interest for residential mortgages, as defined in this act, entered into or contracted for during any calendar month shall be equal to the Monthly Index of Long Term United States Government Bond Yields for the second preceding calendar month plus an additional two and one-half per cent per annum rounded off to the nearest quarter of one per cent per annum.

(c) On or before the twentieth day of each month, the Secretary of Banking (i) shall determine, based on available statistics, the Monthly Index of Long Term United States Government Bond Yields for the preceding calendar month; and (ii) shall determine the maximum lawful rate of interest for residential mortgages for the next succeeding month, as defined in subsection (b) of this section, and shall cause such maximum lawful rate of interest to be filed with the Legislative Reference Bureau of publication in the Pennsylvania Bulletin; such maximum lawful rate of interest to be effective on the first day of the next succeeding month.

(d) The loan yield obtained by a residential mortgage lender from the residential mortgage debtor shall not exceed the maximum lawful rate of interest for residential mortgages established in section 301(b). A contract rate within the maximum lawful interest rate applicable to a residential mortgage at the time of the loan settlement shall be the maximum lawful interest rate for the term of the residential mortgage, except variable interest rate mortgages as set forth in section 301(e).

(e) In all proceedings and in all legal actions, the maximum lawful rate of interest for all residential mortgages, as defined in this act, as published in the Pennsylvania Bulletin by the Secretary of Banking shall be the maximum lawful rate of interest for residential mortgages, as defined in this act, except that variable interest rate mortgages may be written provided no increase in interest provided for in any provision for a variable interest rate contained in a security document, or evidence of debt issued in connection therewith shall be lawful unless such provision is set forth in such security document, or in any evidence of debt issued in connection therewith, or both, and such document or documents contain the following provisions:

(1) That the index for determining increase or decrease in interest rate shall be the lawful rate of interest as determined under subsections (a), (b) and (c) for residential mortgages.

(2) A requirement that when an increase in the interest rate is required by a movement in a particular direction of the prescribed standard an identical decrease is required in the interest rate by a movement in the opposite direction of the prescribed standard.

(3) The rate of interest shall change not more often than once during any semiannual period and at least six months shall elapse between any two such changes.

(4) The change in the interest rate shall be one-fourth of one per cent in any semiannual period, and shall not result in a rate more or less than two and five-tenths percentage points greater or less than the rate for the first loan payment due after the closing of the loan.

(5) The rate of interest shall not change during the first annual period of the loan.

(6) Subject to the provisions of paragraphs (3), (4) and (5), an increase or decrease in the interest rate shall be effected when the index moves in such percentage that the difference between the present index rate and present mortgage rate varies not less than one-fourth of a percentage point from the difference between the index and mortgage rates at the date of the first contracted loan repayment.

(f) The maximum lawful rate of interest set forth in this section shall not apply to (i) an obligation to pay a sum of money in an original bona fide principal amount of more than the base figure; (ii) an obligation to pay a sum of money in an original bona fide principal amount of the base figure or less, evidenced by a security document and secured by a lien upon real property, other than residential real property as defined in this act; or (v) ¹ business loans of any principal amount.

Credits

1974, Jan. 30, P.L. 13, No. 6, § 301, imd. effective. Amended 1977, July 22, P.L. 94, No. 34, § 1, imd. effective; 1978, Oct. 5, P.L. 1100, No. 258, § 1, imd. effective; 1978, Oct. 5, P.L. 1127, No. 264, § 2, imd. effective; [2008, July 8, P.L. 824, No. 57, § 3](#), effective in 60 days [Sept. 8, 2008]; [2012, Oct. 24, P.L. 1402, No. 172, § 1](#), effective in 60 days [Dec. 24, 2012].

41 P.S. § 302

§ 302. Federally guaranteed loans

The maximum lawful rate of interest prescribed in sections 201 and 301 of this act shall not apply to any loan insured or guaranteed in whole or in part by the Federal Housing Administration, the Veterans Administration or any other department or agency of the United States Government: Provided, That any such loan is subject to a maximum rate of interest established by law or by such department or agency.

Credits

1974, Jan. 30, P.L. 13, No. 6, § 302, imd. effective.