



February 9, 2024

SUMMARY OF BILL: Changes the definition of home loan from *a loan amortized over more than 181 months* to *a closed-end loan amortized over more than 241 months*. Removes the requirement that the Commissioner of Financial Institutions (DFI) is to set the maximum effective rate of interest on home loans each month and the provisions establishing how the rate was to be determined.

FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- The maximum allowable home loan rate is currently set by the Commissioner of DFI and must be equal to two percent above the most recent weighted average yield of the accepted offers of the Federal National Mortgage Association's current free market system auction for commitments to purchase conventional home mortgages.
- Pursuant to 47-15-102(b) in the event the Federal National Mortgage Association discontinues the conduct of the auction, the maximum effective rate of interest per annum for home loans shall be set at an amount equal to four percentage points above the index of market yields of long-term government bonds adjusted to a thirty-year maturity by the Department of the Treasury.
- According to a DFI announcement dated February 6, 2024, the Federal National Mortgage Association has discontinued its free market auction system for commitments to purchase conventional home mortgages.
- Pursuant to Tenn. Code Ann. § 47-15-102(c), the maximum effective rate of interest per annum for home loans shall not exceed 18 percent.
- Any fiscal impact is estimated to be borne by private financial institutions and private consumers.
- The provisions of this legislation will not have a significant fiscal impact on Financial Institutions or on the Tennessee Housing Development Agency.

IMPACT TO COMMERCE:

Other Commerce Impact – The precise impact to commerce is dependent on multiple unknown factors and cannot be reasonably determined.

Assumption:

- The overall net impact to commerce and jobs in Tennessee resulting from the removal of the Commissioner of DFI's ability to set maximum interest rates is dependent on multiple unknown factors and cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive style with a large initial 'K'.

Krista Lee Carsner, Executive Director

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