

CHAPTER 57

(SB 157)

AN ACT relating to total net income limits on loans secured by a mortgage.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 286.8-125 is amended to read as follows:

- (1) (a) ***Except as provided in paragraph (b) of this subsection***, it shall be unlawful for any licensee or person holding a claim of exemption to originate a loan secured by a mortgage on residential real property in Kentucky if the total net income generated by the licensee or person exceeds ***the greater of the following***:
1. Two thousand dollars (\$2,000); or
 2. Four percent (4%) of the total loan amount~~[-, whichever is greater].~~
- (b) ***Paragraph (a) of this subsection shall not apply to a loan for which the total points and fees on the loan do not exceed the threshold set forth in 12 C.F.R. sec. 1026.43(e)(3), as amended.***
- (2) As used in this section, unless the context requires otherwise:
- (a) ***"Total loan amount" means the amount financed in the mortgage loan less the total net income generated by the:***
1. ***Originating licensee or person; or***
 2. ***Affiliate of the originating licensee or person; and***
- (b) ***"Total net income":***
1. Means any and all fees, income, or compensation of any kind collected, received, or charged by:
 - a. The licensee or person holding a claim of exemption;~~[-] or [- by]~~
 - b. An affiliate of the licensee or person holding a claim of exemption;~~[- "Total net income"]~~
 2. Includes but is not limited to origination fees, broker fees, lender fees and discount points if retained by the originating licensee or person as income, processing fees, administrative fees, document preparation fees, yield spread premiums, servicing release premiums, and financial counseling fees; ***and***~~[- "Total net income"]~~
 3. Does not include:
 - a. Interest on the mortgage loan itself;~~[-] or~~
 - b. Fees paid to compensate unaffiliated third parties~~[-; and~~
- ~~(b) — "Total loan amount" means the amount financed in the mortgage loan less the total net income generated by the originating licensee or person, or the affiliate of the originating licensee or person.~~

➔Section 2. This Act applies to contracts entered into on or after the effective date of this Act.

Signed by Governor April 8, 2026.