286.8-125 Limitation on total net income of loan originator -- Definitions for section.

(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.

(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
   b. An affiliate of the licensee or person holding a claim of exemption;
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
3. Does not include:
   a. Interest on the mortgage loan itself; or
   b. Fees paid to compensate unaffiliated third parties.

Effective: July 15, 2026

History: Amended 2026 Ky. Acts ch. 57, sec. 1, effective July 15, 2026. -- Created 2008 Ky. Acts ch. 175, sec. 26, effective April 24, 2008.

Legislative Research Commission Note (7/15/2026). 2026 Ky. Acts ch. 57, sec. 2, provides that the amendments to this statute in that Act apply to contracts entered into on or after July 15, 2026.