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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2601

03/20/2025

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The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

1.1 A bill for an act
1.2 relating to financial institutions; modifying the maximum interest rate for certain
1.3 loans and contracts for deed; amending Minnesota Statutes 2024, sections 47.20,
1.4 subdivision 4a; 334.01, subdivision 2.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2024, section 47.20, subdivision 4a, is amended to read:

1.7 Subd. 4a. **Maximum interest rate.** (a) No conventional or cooperative apartment loan
1.8 or contract for deed shall be made at a rate of interest or loan yield in excess of a maximum
1.9 lawful interest rate in an amount equal to the ~~Federal National Mortgage Association posted~~
1.10 ~~yields on 30-year mortgage commitments for delivery within 60 days on standard~~
1.11 ~~conventional fixed-rate mortgages published in the Wall Street Journal for the last business~~
1.12 ~~day of the second preceding month~~ average prime offer rate, as defined in Code of Federal
1.13 Regulations, title 12, part 1026.35(a)(2), that applies to a comparable transaction, as most
1.14 recently published by the United States Consumer Financial Protection Bureau on the last
1.15 date the discounted interest rate for the transaction is set before consummation, plus four
1.16 percentage points. If the index is not available, a substitute index may be adopted by a
1.17 commissioner order.

1.18 (b) The maximum lawful interest rate applicable to a cooperative apartment loan or
1.19 contract for deed at the time the loan or contract is made is the maximum lawful interest
1.20 rate for the term of the cooperative apartment loan or contract for deed. Notwithstanding
1.21 the provisions of section 334.01, a cooperative apartment loan or contract for deed may
1.22 provide, at the time the loan or contract is made, for the application of specified different
1.23 consecutive periodic interest rates to the unpaid principal balance, if no interest rate exceeds

2.1 the maximum lawful interest rate applicable to the loan or contract at the time the loan or
2.2 contract is made.

2.3 (c) The maximum interest rate that can be charged on a conventional loan or a contract
2.4 for deed, with a duration of ten years or less, for the purchase of real estate described in
2.5 section 83.20, subdivisions 11 and 13, is three percentage points above the rate permitted
2.6 under paragraph (a) or 15.75 percent per year, whichever is less. ~~This paragraph is effective~~
2.7 ~~August 1, 1992.~~

2.8 (d) Contracts for deed executed pursuant to a commitment for a contract for deed, or
2.9 conventional or cooperative apartment loans made pursuant to a borrower's interest rate
2.10 commitment or made pursuant to a borrower's loan commitment, or made pursuant to a
2.11 commitment for conventional or cooperative apartment loans made upon payment of a
2.12 forward commitment fee including a borrower's loan commitment issued pursuant to a
2.13 forward commitment, which commitment provides for consummation within some future
2.14 time following the issuance of the commitment may be consummated pursuant to the
2.15 provisions, including the interest rate, of the commitment notwithstanding the fact that the
2.16 maximum lawful rate of interest at the time the contract for deed or conventional or
2.17 cooperative apartment loan is actually executed or made is less than the commitment rate
2.18 of interest, provided the commitment rate of interest does not exceed the maximum lawful
2.19 interest rate in effect on the date the commitment was issued. The refinancing of: (1) an
2.20 existing conventional or cooperative apartment loan, (2) a loan insured or guaranteed by
2.21 the secretary of housing and urban development, the administrator of veterans affairs, or
2.22 the administrator of the Farmers Home Administration, or (3) a contract for deed by making
2.23 a conventional or cooperative apartment loan is deemed to be a new conventional or
2.24 cooperative apartment loan for purposes of determining the maximum lawful rate of interest
2.25 under this subdivision. The renegotiation of a conventional or cooperative apartment loan
2.26 or a contract for deed is deemed to be a new loan or contract for deed for purposes of
2.27 paragraph (b) and for purposes of determining the maximum lawful rate of interest under
2.28 this subdivision. A borrower's interest rate commitment or a borrower's loan commitment
2.29 is deemed to be issued on the date the commitment is hand delivered by the lender to, or
2.30 mailed to the borrower. A forward commitment is deemed to be issued on the date the
2.31 forward commitment is hand delivered by the lender to, or mailed to the person paying the
2.32 forward commitment fee to the lender, or to any one of them if there should be more than
2.33 one. A commitment for a contract for deed is deemed to be issued on the date the commitment
2.34 is initially executed by the contract for deed vendor or the vendor's authorized agent.

3.1 (e) A contract for deed executed pursuant to a commitment for a contract for deed, or a
3.2 loan made pursuant to a borrower's interest rate commitment, or made pursuant to a
3.3 borrower's loan commitment, or made pursuant to a forward commitment for conventional
3.4 or cooperative apartment loans made upon payment of a forward commitment fee including
3.5 a borrower's loan commitment issued pursuant to a forward commitment at a rate of interest
3.6 not in excess of the rate of interest authorized by this subdivision at the time the commitment
3.7 was made continues to be enforceable in accordance with its terms until the indebtedness
3.8 is fully satisfied.

3.9 Sec. 2. Minnesota Statutes 2024, section 334.01, subdivision 2, is amended to read:

3.10 Subd. 2. **Contracts of \$100,000 or more.** Notwithstanding any law to the contrary,
3.11 except as stated in section 58.137, and with respect to ~~contracts~~ a conventional loan or
3.12 contract for deed, section 47.20, subdivision 4a, no limitation on the rate or amount of
3.13 interest, points, finance charges, fees, or other charges applies to a loan, mortgage, credit
3.14 sale, or advance made under a written contract, signed by the debtor, for the extension of
3.15 credit to the debtor in the amount of \$100,000 or more, or any written extension and other
3.16 written modification of the written contract. The written contract, written extension, and
3.17 written modification are exempt from the other provisions of this chapter.