A bill for an act

relating to commerce; modifying the application of residential mortgage loan fees and penalties in certain instances; amending Minnesota Statutes 2024, sections 58.137, by adding a subdivision; 58.20, by adding a subdivision.

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

Section 1. Minnesota Statutes 2024, section 58.137, is amended by adding a subdivision to read:

Subd. 4. **Exception.** Subdivisions 1 and 2 do not apply to a residential mortgage loan that is a purchase money, first lien, or DSCR loan, as defined in section 58.20, subdivision 5a, if:

(1) the loan is made for investment purposes only;

(2) no borrower, guarantor, or cosigner intend to or do occupy the residential real property securing the loan; and

(3) the seller does not continue to occupy the residential real property after the sale.

Sec. 2. Minnesota Statutes 2024, section 58.20, is amended by adding a subdivision to read:

Subd. 5a. **Debt service coverage ratio loan or DSCR loan.** "Debt service coverage ratio loan" or "DSCR loan" means a mortgage:

(1) that is not a qualified mortgage, as defined in United States Code, title 15, section 1639c;

(2) secured by investment property; and

(3) where the lender's decision to make the loan is based on the expected cash flow to be generated from the investment property instead of the borrower's personal income.

EFFECTIVE DATE. This section is effective August 1, 2026, and applies to residential mortgage loans executed on or after that date.