

ACT 6 APPLICATION TO LAND CONTRACTS
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Pennsylvania's Loan Interest and Protection Law 41 P.S. § 101 et. seq., also known as "Act 6" applies to land contracts, if you sell by Land Contract a property containing two or fewer residential units or on which two or fewer residential units are to be constructed. To comply with Act 6 you must provide a notice of intention to foreclose mortgage on the form attached, or as that form may be modified, and you must wait thirty (30) days after the date of the letter to the defaulting purchaser the land contract before you bring an action for possession. If the purchaser under the land contract complies, and brings his or her account current, you cannot proceed with the action. Before legal action is filed, the defaulting purchaser is liable for your attorney's fees only up to \$50. However, after the action is filed, the purchaser is responsible for reasonable attorneys fees incurred in accordance with the provisions reasonable of the land contract pertaining to default.

HOMEOWNERS EMERGENCY MORTGAGE ASSISTANCE ACT
APPLICATION TO LAND CONTRACTS

The Homeowners Emergency Mortgage Assistance Act, Act 91 of 1983, 35 P.S. §1680.101 et. seq., was established to provide a program of emergency mortgage assistance and stay of legal actions to prevent foreclosure, distress sale of a home resulting from a default caused by circumstances beyond the homeowners control. It applies to one or two family owned or occupied residential property located in Pennsylvania which serves as a principal residence of the person in default. This act applies to installment land sales agreements on the above described property and requires that the statutory notice form be sent after the defaulting party is at least

sixty (60) days delinquent, and gives them thirty (30) days to have a face to face meeting with the Consumer Credit Counseling Agency. If the defaulting party is unable to resolve the delinquency within thirty (30) days after their first contact with Consumer Credit Counseling Agency, they may apply to the Pennsylvania Housing Finance Agency for emergency mortgage assistance. The holder of the installment land contract cannot commence legal action against the property for thirty (30) days after the date that the defaulting purchaser meets with the Consumer Credit Counseling Agency. If the application is made to the PHFA for mortgage assistance, they must act upon that application within sixty (60) days, and no action may be taken while the application is pending with PHFA. A form for the notice of Homeowners Emergency Mortgage Assistance is attached.

PRIVATE MORTGAGE INTEREST RATES

There is a limitation on interest rates which you can charge for providing purchase money financing to someone purchasing property as a principal residence. Note that this does not apply if you formerly resided in the property as your principal residence and are providing the financing on sale. However, if you have not occupied the property and are providing seller financing, the maximum lawful rate of interest which you may charge is equal to the monthly index of long term United States Government Bond Yields for the second preceding calendar month plus an additional 2 1/2% per annum. This interest rate is determined by the Pennsylvania Secretary of Banking on or before the 20th day of each month and is published in a weekly publication known as the Pennsylvania Bulletin. A copy of the most recent determination is attached. Subscriptions can be obtained from the Commonwealth of Pennsylvania, Legislative Reference Bureau, 647

Main Capital Building, State and Third Streets, Harrisburg, PA 17120 at the rate of approximately \$45 per year.

If an interest rate greater than the maximum lawful rate of interest is charged by a seller taking back interest, serious penalties are imposed against the lender. If you are a seller offering a variable rate mortgage on property you have owned but not resided in, you should consult an attorney because there are various provisions which the mortgage must contain to conform with the law. Applicable sections of 41 P.S. § 101 et. Seq. are attached. The damages for violation include recovery of actual interest overcharged, trebling or three times the actual interest charged and reasonable attorney's fees. Violation of this act should be avoided.