

### **360.150 Manufactured home financing.**

- (1) As used in this section, unless the context otherwise requires:
  - (a) "Lender" means a person regularly engaged in the business of selling or financing manufactured homes:
    1. Who is an arranger of credit; or
    2. Who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four (4) installments (not including a down payment) and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract;
  - (b) "Interest" means finance charge expressed as an annual percentage rate. The finance charge is the cost of consumer credit as a dollar amount. It includes any charge payable directly or indirectly by the lender as an incident to or a condition of the extension of credit;
  - (c) "Manufactured home" means a moveable dwelling unit, designed and constructed for permanent occupancy by a single family, which dwelling contains permanent eating, cooking, sleeping, and sanitary facilities; or a prefabricated dwelling that is manufactured in two (2) or more modules at a location other than a homesite and which is designed to be used as a residence when the modules are transported to the homesite, and the modules are joined together and installed on a permanent foundation system. The term includes the plumbing, heating, air conditioning, and electrical systems contained in the structure; and
  - (d) "Manufactured home financing transaction" shall include both the credit sale of a manufactured home and a direct loan used to finance the purchase of a manufactured home.
- (2) A manufactured home financing transaction may provide for a fixed rate of interest payable in substantially equal successive installments over a fixed term, or may provide that the rate of interest may be adjusted at certain regular intervals. In this latter event, the manufactured home financing transaction shall be subject to the provisions in this section.
- (3) Adjustments in the interest rate charged must be based on changes in a specific index, as set forth in the financing agreement. The index may be only:
  - (a) The monthly average yield on United States Treasury securities adjusted to a constant maturity of five (5) years; or
  - (b) An index approved by the Federal Home Loan Bank Board or by the Office of the Comptroller of the Currency, Department of the Treasury, for adjustable or variable interest rates on residential mortgage loans.
- (4) The rate of interest shall not increase or decrease during the six (6) month period beginning with the date of execution of the financing agreement, and at least six (6) months shall elapse between changes.
- (5) Adjustments, either up or down, to the rate of interest on each adjustment date shall,

for the initial adjustment, be equal to the difference between the index value in effect on the first day of the second calendar month preceding the adjustment date and the value in effect on the first day of the month in which the financing agreement is executed. For adjustments after the initial adjustment, adjustments shall be equal to the difference between the index value in effect on the first day of the second month preceding the adjustment date and the index value in effect on the first day of the second month preceding the date of the immediately preceding rate adjustment.

- (6) Where the stated regular interval between rate adjustments is six (6) months, an adjustment to the interest rate may not result in a rate of interest which is more than one (1) percentage point greater or less than the interest rate in effect prior to such adjustment. If the stated regular interval between rate adjustments exceeds six (6) months, then the maximum adjustment either up or down shall be one (1) percentage point multiplied by the number of whole consecutive six (6) month periods in the interval between rate adjustments.
- (7) Any increase in the rate of interest permitted by this section shall be optional with the creditor. Decreases in the rate of interest shall be mandatory whenever the total decrease in the index value equals or exceeds one-quarter (1/4) of one (1) percentage point.
- (8) If the creditor agrees to impose limitations on interest rate changes that are more restrictive than the limitations specified in this section, then such limitations shall apply to both increases and decreases.
- (9) Any changes in the index which are not reflected in a rate adjustment may, by agreement of the parties, be carried over to subsequent rate adjustment periods, and be implemented to the extent not offset by opposite movement in the index.
- (10) By agreement of the parties, adjustments to the rate of interest may result in changes in the amount of regular installment payments due under the financing agreement, or in changes in the term of the financing agreement, or in a combination of such changes in amount and term. Adjustments to the amount of installment payments may be made less frequently than adjustments to the interest rate.
- (11) For all manufactured home financing transactions under this section, the creditor shall comply with all applicable requirements and disclosures pursuant to Part I of the Consumer Protection Act (Truth-In-Lending Act), 15 U.S.C. secs. 1601 et seq., as amended, and as implemented by Regulation Z promulgated by the Board of Governors of the Federal Reserve System.
- (12) The creditor shall send written notification of any rate adjustment, by first class mail, postage prepaid, at least one (1) month before the date that the new rate of interest shall take effect.
- (13) Notwithstanding any of the requirements and limitations set forth by subsections (3) through (12) of this section, the parties may agree on any terms or provisions in the manufactured housing financing agreement as may be authorized or permitted in any program for residential mortgage loans by the Federal Home Loan Bank Board or by the Office of the Comptroller of the Currency, Department of the Treasury, or any other federal department, agency or board. In such event, the creditor shall

comply with all applicable limitations, requirements and disclosures of the agency that relate thereto.

**Effective:** July 13, 1984

**History:** Amended 1984 Ky. Acts ch. 197, sec. 1, effective July 13, 1984. -- Created 1982 Ky. Acts ch. 335, sec. 1, effective July 15, 1982.