



Department of Business Regulation

Banking Division

**1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920**

Banking Bulletin 2018-4

Home Loan Protection Forms

The forms on the following pages are required by R.I. Gen. Laws Chapter 34-27 and are designated for use in compliance with regulation 230-RICR-40-10-3 – Home Loan Protection.

PROHIBITED ACTS AND PRACTICES DISCLOSURE REGARDING ALL HOME LOANS

1. **No financing, either directly or indirectly**, of any credit life, credit disability, credit unemployment, or credit property insurance, or any other life or health insurance, or any payments either directly or indirectly for any debt cancellation or suspension agreement or contract. Any insurance premiums or debt cancellation or suspension fees that are **CALCULATED and PAID IN FULL** on a monthly basis shall not be considered financed.
2. No **knowing or intentional** engagement in the unfair act or practice of **"Flipping a Home Loan."** Flipping a Home Loan **is the making of a Home Loan** to a borrower that refinances an existing Home Loan that was consummated within the prior 60 months when the new loan does not have reasonable, **tangible net benefits** in accordance with subsection 34-25.2-4(q) to the borrower considering all of the circumstances, including, but not limited to, the terms of both the new and refinanced loans, the cost of the new loan, and the borrower's circumstances.
3. No Creditor **shall recommend or encourage default** on an existing loan or other debt prior to and in connection to the closing or planned closing of a Home Loan that refinances all or any portion of such existing loan or debt.
4. No Home Loan may contain a provision that **permits the Creditor, in its sole discretion, to accelerate the indebtedness.** This provision does not prohibit the acceleration of the loan in good faith due to the borrower's failure to abide by the material terms of the loan.
5. No Home Loan may contain a provision that allows a **party to require a borrower to assert any claim or defense in a forum that is less convenient, more costly, or more dilatory** for the resolution of a dispute than a judicial forum established in this state where the borrower may otherwise properly bring a claim or defense or limits in any way a claim or defense the borrower may have.

Creditor: _____

_____ Creditors Authorized Representative Date: _____

Borrower(s): _____ Date _____

Borrower(s): _____ Date _____

THIS FORM MUST BE PROVIDED NO LATER THAN THREE (3) BUSINESS DAYS OF APPLICATION.

*"Creditor" means any person who regulatory makes available a home loan and shall include a loan broker.

PROHIBITED ACTS AND PRACTICES DISCLOSURE REGARDING HIGH COST HOME
LOANS

1. In connection with a High-Cost Home Loan, no Creditor **shall directly or indirectly finance any points or fees** which total is greater than **five percent (5%) of the total loan amount or eight hundred dollars (\$800)** whichever is **greater**
2. **No prepayment fees or penalties** shall be included in the loan documents for a High-Cost Home Loan.
3. No High-Cost Home Loan may contain a **scheduled payment that is more than twice as large as the average of earlier scheduled payments**. This provision does not apply when the payment schedule is adjusted to the seasonal or irregular income of the borrower.
4. No High-Cost Home Loan may include **payment terms under which the outstanding principal balance or accrued interest will increase at any time over the course of the loan** because the regularly scheduled periodic payments **do not cover the full amount of interest due**.
5. No High-Cost Home Loan may contain a provision that **increases the interest rate after default**. This provision does not apply to interest rate changes in a variable rate loan otherwise consistent with the provisions of the loan documents, provided the change in the interest rate is not triggered by the event of default or the acceleration of the indebtedness.
6. No High-Cost Home Loan may include terms under which **more than two (2) periodic payments required under the loan are consolidated and paid in advance from the loan proceeds** provided to the borrower.
7. A Creditor **may not make a High-Cost Home Loan** without first **receiving certification from a counselor with a third-party nonprofit organization approved by the United States Department of Housing and Urban Development** that the borrower has received face-to-face counseling on the advisability of the loan transaction.
8. A High-Cost Home Loan shall not be extended to a borrower unless **a reasonable Creditor** would believe at the time the loan is closed that one or more of the borrowers will be able to make the scheduled payments associated with the loan based upon a consideration of his or her current and expected income, current obligations, employment status, and other financial resources, other than the borrower's equity in the collateral that secures the repayment of the loan. There is a rebuttable presumption that the borrower is able to make the scheduled payments to repay the obligation if, at the time the loan is consummated, **said borrower's total monthly debts, including amounts under the loan, do not exceed fifty percent (50%) of said borrower's monthly gross income as verified by tax returns, payroll receipts, and other third-party income verification**.
9. **A Creditor may not pay a contractor** under a **home-improvement contract** from the proceeds of a High-Cost Home Loan, unless:
 - (a) the Creditor is presented with a **signed and dated completion certificate** showing that the **home improvements have been completed**; and

- (b) **the instrument is payable to the borrower or jointly to the borrower and the contractor, or, at the election of the borrower, through a third-party escrow agent** in accordance with terms established in a written agreement signed by the borrower, the Creditor, and the contractor prior to the disbursement.
10. A Creditor **may not charge a borrower any fees or other charges to modify, renew, extend, or amend a High-Cost Home Loan or to defer any payment** due under the terms of a High-Cost Home Loan.
11. A Creditor shall not make available a High-Cost Home Loan that provides for a **late payment fee** except as follows:
- (a) The **late payment fee shall not** be in excess of **three percent (3%)** of the amount of the **payment past due**.
 - (b) The **late payment fee** shall only be assessed for a payment past due **for fifteen (15) days or more or ten (10) days or more in cases of bi-weekly mortgage** payment arrangement.
 - (c) The **late payment fee shall not** be imposed **more than once** with respect to a single late payment. If a late payment fee is deducted from a payment made on the loan, and the deduction causes a subsequent default on a subsequent payment, no late payment fee may be imposed for the default.
 - (d) A Creditor shall **treat each payment as posted on the same business day** as it was received.
12. All High-Cost Home Loan documents that create a debt or pledge property as collateral shall contain the following notice on the **first page in a conspicuous manner**:
"Notice: This a High-Cost Home Loan subject to special rules under state law. Purchasers or assignees of this High-Cost Home Loan may be liable for all claims and defenses by the borrower with respect to the home loan."

Creditor: _____

_____ Creditors Authorized Representative Date: _____

Borrower(s): _____ Date _____

Borrower(s): _____ Date _____

THIS FORM MUST BE PROVIDED NO LATER THAN THREE (3) BUSINESS DAYS OF APPLICATION.

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RHODE ISLAND HOME LOAN PROTECTION ACT DISCLOSURE
TANGIBLE NET BENEFIT

This disclosure is being provided to you in order to afford you the protections intended by R.I. Gen. Laws § 34-25.2-1 et seq., The *Rhode Island Home Loan Protection Act*, which protects consumers from certain loan brokering and lending practices. One of these practices is "Flipping a home loan." **WHAT IS FLIPPING A HOME LOAN?** Flipping a home loan is the making of a home loan to a borrower that refinances an existing home loan that was consummated within the prior sixty (60) months or five (5) years when the new loan does not have a reasonable "tangible net benefit."

Therefore, since you are refinancing your home loan within five (5) years of the prior loan, Creditor is required by law to meet certain guidelines. In order for your Creditor to recommend or make this loan, this loan **MUST** meet at least one of the following criteria:

1. **Your new monthly payment must be lower** than the total of all monthly obligations being financed. The loan broker and/or lender must take into account the costs and fees, as disclosed on the Loan Estimate and Closing Disclosure Form, as part of the refinancing.
2. There must be a **beneficial change** in the amortization period of the new loan(s).
3. **You receive cash in excess of the costs and fees**, as disclosed on the Loan Estimate and Closing Disclosure Form, as part of the refinancing;
4. **Your Previous Note Rate of interest is reduced**, or in the event more than one loan is being refinanced, the weighted average note rate of the current loans is reduced;
5. There is a **change from an adjusted rate loan(s) to a fixed rate loan(s)** or
6. The refinancing is necessary to respond to a **bona fide personal need** or an order of a court of competent jurisdiction.

BASED UPON THE LOAN BROKER'S/LENDER'S REVIEW OF ALL OF THE CIRCUMSTANCES CONCERNING THIS LOAN AND ANY DEBTS TO BE PAID FROM THE PROCEEDS FROM THIS PROPOSED LOAN(S), THERE IS A ("√" ALL THAT APPLY):

LOWER MONTHLY PAYMENT.

YOUR MONTHLY PAYMENT WILL DECREASE FROM: \$ _____
TO: \$ _____

BENEFICIAL CHANGE IN THE AMORTIZATION PERIOD OF THE NEW LOAN.

THE TERM OF YOUR NEW HOME LOAN WILL CHANGE AS FOLLOWS:

FROM: _____
(insert # of months remaining on Previous Loan)

TO: _____
(insert # of months to maturity on New Home Loan)

RECEIPT OF CASH IN EXCESS OF THE COSTS AND FEES.

FUNDS ARE BEING PROVIDED TO YOU OR ON YOUR BEHALF IN THE AMOUNT OF \$_____ REPRESENTING FUNDS IN EXCESS OF COSTS AND FEES WHEN THE BORROWER RECEIVES FUNDS BEYOND THE AMOUNT OF EXISTING PREVIOUS LOAN(S) PLUS ALL FEES AND COSTS ASSOCIATED WITH THE HOME LOAN.

REDUCTION IN CURRENT NOTE RATE OR WEIGHTED AVERAGE NOTE RATE.

THE INTEREST RATE ON YOUR HOME LOAN IS _____%, WHICH IS LOWER THAN THE CURRENT RATE OR WEIGHTED AVERAGE RATE, WHICH EVER IS APPLICABLE, ON YOUR PREVIOUS LOAN(S) OF _____ %.

CHANGE FROM AN ADJUSTED RATE LOAN TO A FIXED RATE LOAN.

THE INTEREST RATE ON YOUR HOME LOAN WILL CHANGE FROM THE PREVIOUS LOAN'S ADJUSTABLE RATE OF _____ % TO THE HOME LOAN'S FIXED RATE OF _____%.

"BONA FIDE PERSONAL NEED" ON BEHALF OF ONE OR MORE OF THE BORROWER(S). THE "BONA FIDE PERSONAL NEED" IS:

After reviewing all relevant information, the Creditor confirms that it has performed the analysis of the applicable tangible net benefit as identified in the checked box(es) above and that the Creditor has explained the analysis to the Borrower. The Borrower(s) acknowledges that the Creditor has explained the identified tangible net benefit(s).

Creditor: _____

Creditors Authorized Representative Date: _____

Borrower(s): _____ Date _____

Borrower(s): _____ Date _____

THIS FORM MUST BE PROVIDED PRIOR TO OR UPON CONSUMMATION OF THE HOME LOAN.

*"Creditor" means any person who regulatory makes available a home loan and shall include a loan broker.

FORM 4HLP A

RHODE ISLAND HOME LOAN PROTECTION ACT DISCLOSURE
HIGH-COST HOME LOAN

This disclosure is being provided to you in order to afford you the protections intended by R.I. Gen. Laws § 34-25.2-1 *et seq.*, The ***Rhode Island Home Loan Protection Act***, which protects consumers from certain loan brokering and lending practices. One of these statutory protections, R.I. Gen. Laws § 34-25.2-6, imposes certain requirements and prohibited practices upon "high-cost home loans."

WHAT IS A "HIGH-COST HOME LOAN?" It is a home loan (other than a reverse mortgage transaction) in which the terms of the loan meet or exceed **one or more** of the following rate or points and fees thresholds:

THE RATE

1. For a first lien mortgage Home Loan: the interest rate equal to eight (8) percentage points over the yield on comparable United States treasury securities on the fifteenth (15th) day of the month immediately preceding the month in which the loan application was received by the lender; and
2. For a subordinate mortgage lien, an interest rate equal to nine (9) percentage points over the yield on comparable United States treasury securities on the fifteenth (15th) day of the month immediately preceding the month in which the loan application was received by the lender.

POINTS AND FEES

1. For loans in which total amount that is borrowed (as reflected on the face amount of the note) is **\$50,000 or more**: the total points and fees payable in connection with the home loan less any excluded points and fees exceed five percent (5%) of the total loan amount.
2. For loans in which total amount that is borrowed (as reflected on the face amount of the note) is **less than \$50,000**: the total points and fees payable in connection with the home loan less any excluded points and fees exceed eight percent (8%) of the total loan amount.

My Creditor* has told me that I DO HAVE A HIGH-COST HOME LOAN.

A Creditor may not make a High-Cost Home Loan without first receiving certification from a counselor with a third-party nonprofit organization approved by the United States Department of Housing and Urban Development that the borrower(s) has (have) received face-to-face counseling on the advisability of the loan transaction.

You should Search online for a HUD certified counseling agency near you at:

<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=RI>,

or call HUD's interactive voice response system at: (800) 569-4287.

CREDITOR MUST PROVIDE INFORMATION BELOW IF THE NEW HOME LOAN IS AN ADJUSTABLE RATE LOAN:

MY FULLY INDEXED INTEREST RATE IS: _____ %.

THE MAXIMUM INTEREST RATE UNDER THE TERMS OF THIS HOME LOAN MAY INCREASE TO: _____ %.

THE MAXIMUM AMOUNT OF THE MONTHLY PRINCIPAL AND INTEREST PAYMENT UNDER THE TERMS OF THIS LOAN APPLYING THE MAXIMUM INTEREST RATE MAY BE: \$_____

APPLICATION WAS SUBMITTED YOU SHOULD HAVE RECEIVED TWO DISCLOSURES ENTITLED "PROHIBITED ACTS AND PRACTICES REGARDING HOME LOANS AND HIGH-COST HOME LOANS" WHICH INFORM YOU OF THESE PROHIBITIONS AND/OR LIMITATIONS.

The Creditor hereby certifies that it has provided you with TWO Disclosures (IN ADDITION TO THIS DISCLOSURE) to inform you of the Prohibited Acts and Practices Regarding Home Loans and High-Cost Home Loans. You should read, sign and date the disclosures, and keep copies for your records. The Borrower(s) acknowledges that the Creditor has explained the contents of this disclosure.

Creditor: _____

Creditors Authorized Representative Date: _____

Borrower(s): _____ Date _____

Borrower(s): _____ Date _____

THIS FORM IS TO BE PROVIDED TO THE APPLICANT AT SUCH TIME THAT IT IS DETERMINED BY THE CREDITOR THAT THE NEW LOAN IS A "HIGH-COST HOME LOAN," BUT IN SUFFICIENT TIME AS TO ENABLE THE APPLICANT TO RECEIVE, PRIOR TO CLOSING THE LOAN, FACE-TO-FACE COUNSELING ON THE ADVISABILITY OF THE HIGH-COST HOME LOAN TRANSACTION, WITH A THIRD PARTY NON PROFIT ORGANIZATION. APPLICANT MUST COMPLETE, AND CREDITOR MUST RECEIVE A CERTIFICATE OF FACE-TO-FACE COUNSELING WITH A THIRD-PARTY NON PROFIT ORGANIZATION APPROVED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PRIOR TO MAKING ANY HIGH-COST HOME LOAN.

**CONSUMER CAUTION
AND HOME OWNERSHIP COUNSELING NOTICE AND
CERTIFICATION**

If you obtain this loan, which pursuant to Rhode Island law is a High-Cost Home Loan. Creditor* will have a mortgage on your home. You could lose your home, and the money you have put into it, if you do not meet your obligations under the loan.

You should shop around and compare loan rates and fees. Mortgage loan rates, and closing costs, and fees vary based on many factors, including your particular credit and financial circumstances, your earnings history, the loan to value requested, and the type of property that will secure your loan. The loan rate and fees could vary based on which Creditor or mortgage you select. Higher rates and fees may be related to the individual circumstances of a particular consumer's application.

Rhode Island law requires the Creditor to receive certification from a non-profit third-party housing counseling agency approved by the United States Department of Housing and Urban Development that you have received face-to-face counseling regarding this High-Cost Home Loan.

After you receive this face-to-face counseling, you should have an authorized representative of the Counseling Agency sign, date, and confirm the subject matter and date/time that you attended the counseling ON THIS FORM.

I hereby certify that _____
(insert name(s) of Borrower(s)/Applicant(s))
attended on _____
(insert date/time)

face-to-face counseling that both informed and explained the risks associated with this High-Cost Home Loan and any other issues related to this financial transaction.

Borrower(s):	_____	Date	_____
Borrower(s):	_____	Date	_____
Authorized Counselor:	_____	Date:	_____
Agency:	_____	Date:	_____

THIS FORM IS TO BE PROVIDED TO THE APPLICANT AT SUCH TIME THAT IT IS DETERMINED BY THE CREDITOR THAT THE NEW LOAN IS A "HIGH-COST HOME LOAN," BUT IN SUFFICIENT TIME AS TO ENABLE THE APPLICANT TO RECEIVE, PRIOR TO CLOSING THE LOAN, FACE-TO FACE COUNSELING ON THE ADVISABILITY OF THE HIGH-COST HOME LOAN TRANSACTION, WITH A THIRD-PARTY NON PROFIT ORGANIZATION. APPLICANT MUST COMPLETE, AND CREDITOR MUST RECEIVE A CERTIFICATE OF FACE-TO-FACE COUNSELING WITH A THIRD-PARTY NON PROFIT ORGANIZATION APPROVED BY THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PRIOR TO MAKING ANY HIGH-COST HOME LOAN

*"Creditor" means any person who regulatory makes available a home loan and shall include a loan broker.