

**PROHIBITED ACTS OF LENDERS AND LOAN BROKERS
IN R.I. GEN. LAWS § 34-25.2-1 *ET SEQ.***

PROHIBITED ACTS AND PRACTICES 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.**"

Loan Broker: _____

Date: _____

Lender: _____

Date: _____

Borrower(s): _____

Date: _____

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