

Amendment No. ____ (for drafter's use only)

	<u>Senate</u>	CHAMBER ACTION	<u>House</u>
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ORIGINAL STAMP BELOW

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Representative(s) Bendross-Mindingall offered the following:

Amendment (with title amendment)

Delete everything after the enacting clause

and insert:

Section 1. Short title; purposes.--

(1) This act shall be known as the "Florida Fair Lending Act."

(2)(a) The Legislature finds that abusive mortgage lending has become a problem in this state even though most high-cost home loans do not involve abusive mortgage practices. One of the most common forms of abusive lending is the making of loans that are equity-based rather than income-based. The financing of points and fees in these loans provides immediate income to the originator and encourages creditors to repeatedly refinance home loans. As long as there is sufficient equity in the home, an abusive creditor benefits even if the borrower is unable to make the payments and is forced to refinance. The financing of high points and fees causes the loss of equity in each refinancing and often leads

1 to foreclosure.

2 (b) Abusive lending has threatened the viability of
3 many communities and caused decreases in home ownership. While
4 the marketplace appears to operate effectively for
5 conventional mortgages, too many homeowners find themselves
6 victims of overreaching creditors who provide loans with
7 unnecessarily high costs and terms that are unnecessary to
8 secure repayment of the loan. The Legislature finds that as
9 competition and self-regulation have not eliminated the
10 abusive terms from home-secured loans, the consumer protection
11 provisions of this act are necessary to encourage fair
12 lending.

13 Section 2. Definitions.--As used in this act:

14 (1) "Affiliate" means any company that controls, is
15 controlled by, or is in common control with another company,
16 as set forth in 12 U.S.C. s. 1841, et seq., and the
17 regulations adopted thereunder.

18 (2) "Annual percentage rate" means the annual
19 percentage rate for the loan calculated according to the
20 provisions of 15 U.S.C. s. 1606 and the regulations adopted
21 thereunder by the Federal Reserve Board.

22 (3) "Borrower" means any natural person obligated to
23 repay a loan, including, but not limited to, a coborrower,
24 cosignor, or guarantor.

25 (4) "Bridge loan" means a loan with a maturity of less
26 than 18 months that only requires the payment of interest
27 until such time as the entire unpaid balance is due and
28 payable.

29 (5) "Department" means the Department of Banking and
30 Finance.

31 (6) "High-cost home loan" means a home loan as defined

1 in 15 U.S.C. s. 1602(aa) and regulations adopted thereunder.

2 (7) "Lender" means any person who makes a high-cost
3 home loan or acts as a mortgage broker or lender, finance
4 company, or retail installment seller with respect to a
5 high-cost home loan, but shall not include any entity
6 chartered by the United States Congress when engaging in
7 secondary market mortgage transactions as an assignee or
8 otherwise.

9 Section 3. Prohibited acts.--

10 (1) PREPAYMENT PENALTIES.--

11 (a) A high-cost home loan may not contain terms that
12 require a borrower to pay a prepayment penalty for paying all
13 or part of the loan principal before the date on which the
14 payment is due.

15 (b) Notwithstanding paragraph (a), a lender making a
16 high-cost home loan may include in the loan contract a
17 prepayment fee or penalty, for up to the first 36 months after
18 the date of consummation of the loan, if:

19 1. The borrower has also been offered a choice of
20 another product without a prepayment penalty.

21 2. The borrower has been given, at least 3 business
22 days prior to the loan consummation, a written disclosure of
23 the terms of the prepayment fee or penalty by the lender,
24 including the benefit the borrower will receive for accepting
25 the prepayment fee or penalty through either a reduced
26 interest rate on the loan or reduced points or fees.

27 (2) DEFAULT INTEREST RATE.--A high-cost home loan may
28 not provide for a higher interest rate after default on the
29 loan. However, this prohibition does not apply to interest
30 rate changes in a variable rate loan otherwise consistent with
31 the provisions of the loan documents, provided the change in

1 interest rate is not triggered by a default or the
2 acceleration of the interest rate.

3 (3) BALLOON PAYMENTS.--A high-cost home loan having a
4 term of less than 10 years may not contain terms under which
5 the aggregate amount of the regular periodic payments would
6 not fully amortize the outstanding principal balance. However,
7 this prohibition does not apply when the payment schedule is
8 adjusted to account for the seasonal or irregular income of
9 the borrower or if the loan is a bridge loan.

10 (4) NEGATIVE AMORTIZATION.--A high-cost home loan may
11 not contain terms under which the outstanding principal
12 balance will increase at any time over the course of the loan
13 because the regular periodic payments do not cover the full
14 amount of the interest due.

15 (5) PREPAID PAYMENTS.--A high-cost home loan may not
16 include terms under which more than two periodic payments
17 required under the loan are consolidated and paid in advance
18 from the loan proceeds provided to the borrower.

19 (6) EXTENDING CREDIT WITHOUT REGARD TO THE PAYMENT
20 ABILITY OF THE BORROWER.--A lender making a high-cost home
21 loan shall not engage in any pattern or practice of extending
22 high-cost home loans to borrowers based upon the borrowers'
23 collateral without regard to the borrowers' ability to repay
24 the loan, including the borrowers' current and expected
25 income, current obligations, and employment.

26 (7) PAYMENTS TO A HOME CONTRACTOR.--A lender shall not
27 make any payments to a contractor under a home improvement
28 contract from amounts of a high-cost home loan other than:

29 (a) In the form of an instrument that is payable to
30 the borrower or jointly to the borrower and the contractor; or

31 (b) At the election of the borrower by a third-party

1 escrow agent in accordance with terms established in a written
2 agreement signed by the borrower, the lender, and the
3 contractor prior to the date of payment.

4 (8) DUE-ON-DEMAND CLAUSE.--A high-cost home loan may
5 not contain a provision that permits the lender, in its sole
6 discretion, to call or accelerate the indebtedness. This
7 provision does not prohibit acceleration of the loan due to
8 the borrower's failure to abide by the terms of the loan, or
9 due to fraud or material misrepresentation by the consumer in
10 connection with the loan.

11 (9) REFINANCING WITHIN AN 18-MONTH PERIOD.--

12 (a) A lender, its affiliate, or an assignee shall not
13 refinance any high-cost home loan to the same borrower within
14 the first 18 months of the loan when the refinancing does not
15 have a reasonable benefit to the borrower considering all of
16 the circumstances, including, but not limited to, the terms of
17 both the new and refinanced loans, the cost of the new loan,
18 and the borrower's circumstances.

19 (b) A lender or assignee shall not engage in acts or
20 practices to evade this requirement, including a pattern or
21 practice of arranging for the refinancing of the lender's or
22 assignee's own loans by affiliated or unaffiliated lenders or
23 modifying a loan agreement, whether or not the existing loan
24 is satisfied and replaced by the new loan, and charging a fee.

25 (10) OPEN-ENDED LOANS.--A lender shall not make any
26 loan as an open-ended loan in order to evade the provisions of
27 this act unless such open-ended loans meet the definition in
28 12 C.F.R. s. 226.2(a)(20).

29 (11) RECOMMENDATION OF DEFAULT.--A lender shall not
30 recommend or encourage default on an existing loan or other
31 debt prior to and in connection with the closing or planned

1 closing of a high-cost home loan that refinances all or any
2 portion of such existing loan or debt.

3 (12) PROHIBITED DOOR-TO-DOOR LOANS.--A high-cost home
4 loan may not be made as a direct result of a potential or
5 future lender or its representative offering or selling a
6 high-cost home loan at the residence of a potential borrower
7 without a prearranged appointment with the potential borrower
8 or the expressed invitation of the potential borrower. This
9 subsection does not apply to mail solicitations that may be
10 received by the potential borrower.

11 (13) LATE PAYMENT FEES.--A lender may not charge a
12 late payment fee for a high-cost home loan except as provided
13 in this subsection:

14 (a) A late payment fee may not be in excess of 5
15 percent of the amount of the payment past due.

16 (b) A late payment fee may only be assessed for a
17 payment past due for 15 days or more.

18 (c) A late payment fee may not be charged more than
19 once with respect to a single late payment. If a late payment
20 fee is deducted from a payment made on the loan and such
21 deduction causes a subsequent default on a subsequent payment,
22 no late payment fee may be imposed for such default. If a late
23 payment fee has been imposed once with respect to a particular
24 late payment, no such fee shall be imposed with respect to any
25 future payment which would have been timely and sufficient,
26 but for the previous default.

27 (14) MODIFICATION OR DEFERRAL FEES.--A lender may not
28 charge a borrower any fees or other charges to modify, renew,
29 extend, or amend a high-cost home loan or to defer any payment
30 due under the terms of a high-cost home loan on a minimum of
31 one modification, renewal, extension, or deferral per each 12

Amendment No. ____ (for drafter's use only)

1 months of the length of the loan.

2 Section 4. Required disclosures for high-cost home
3 loans.--

4 (1) In addition to other disclosures required by law
5 and in conspicuous type:

6 (a) NOTICE TO BORROWER.--A lender making a high-cost
7 home loan shall provide a notice to a borrower in
8 substantially the following form:

9 If you obtain this high-cost home loan, the lender will
10 have a mortgage on your home. You could lose your home and
11 any money you have put into it if you do not meet your
12 obligations under the loan.

13 Mortgage loan rates and closing costs and fees vary
14 based on many factors, including your particular credit and
15 financial circumstances, your employment history, the
16 loan-to-value requested, and the type of property that will
17 secure your loan. The loan rate and fees could also vary
18 based upon which lender or broker you select. As a borrower,
19 you should shop around and compare loan rates and fees.

20 You should also consider consulting a qualified
21 independent credit counselor or other experienced financial
22 advisor regarding the rates, fees, and provisions of this
23 mortgage loan before you proceed. You should contact the
24 United States Department of Housing and Urban Development for
25 a list of credit counselors available in your area.

26 You are not required to complete this agreement merely
27 because you have received these disclosures or have signed a
28 loan application.

29 Borrowing for the purpose of debt consolidation can be
30 an appropriate financial management tool. However, if you
31 continue to incur significant new credit card charges or other

1 debts after this high-cost home loan is closed and then
2 experience financial difficulties, you could lose your home
3 and any equity you have in it if you do not meet your mortgage
4 loan obligations.

5 Remember that property taxes and homeowners' insurance
6 are your responsibility. Not all lenders provide escrow
7 services for these payments. You should ask your lender about
8 these services.

9 Also, your payments on existing debts contribute to
10 your credit rating. You should not accept any advice to
11 ignore your regular payments to your existing creditors.

12 (b) ANNUAL PERCENTAGE RATE.--A lender making a
13 high-cost home loan shall disclose:

14 1. In the case of a fixed mortgage, the annual
15 percentage rate and the amount of the regular monthly payment.

16 2. In the case of any other credit transaction, the
17 annual percentage rate, the amount of the regular monthly
18 payment and the amount of any balloon payment permitted under
19 this section, a statement that the interest rate and monthly
20 payment may increase, and the amount of the maximum monthly
21 payment based upon the maximum interest rate allowed pursuant
22 to law.

23 (c) NOTICE TO PURCHASERS AND ASSIGNEES.--All high-cost
24 home loans shall contain the following notice:

25 Notice: This is a mortgage subject to the provisions of
26 the Florida Fair Lending Act. Purchasers and assignees of this
27 mortgage could be liable for all claims and defenses with
28 respect to the mortgage which the borrower could assert
29 against the creditor.

30 (2) Timing of disclosure.--

31 (a) The disclosure required by this subsection shall

1 be given not less than 3 business days prior to the
2 consummation of the high-cost home loan.

3 (b) New disclosures are required when, after
4 disclosure is made, the lender making the high-cost home loan
5 changes the terms of the extension of credit, including if
6 such changes make the original disclosures inaccurate, unless
7 new disclosures are provided that meet the requirements of
8 this section.

9 (c) A lender may provide new disclosures pursuant to
10 paragraph (b) by telephone, if:

11 1. The change is initiated by the borrower.

12 2. At the consummation of the high-cost home loan:

13 a. The lender provides the disclosures in writing to
14 the borrower.

15 b. The lender and the borrower certify in writing that
16 the new disclosures were provided by telephone no later than 3
17 days prior to the consummation of the high-cost home loan.

18 (d) A creditor must disclose to any high-cost home
19 loan borrower the rights of the borrower to rescind the
20 high-cost home loan within 3 business days pursuant to 15
21 U.S.C. s. 1635(a) and shall provide appropriate forms for the
22 borrower to exercise his or her right to rescission. The
23 notice, forms, and provisions thereof must be in accordance
24 with the requirements of 15 U.S.C. s. 1635(a).

25 Section 5. Liability of purchasers and assignees.--Any
26 person who purchases or is otherwise assigned a high-cost home
27 loan shall be subject to all claims and defenses with respect
28 to that mortgage that the borrower could assert against the
29 creditor of the mortgage, to the same extent and subject to
30 the same limitations that a borrower of a high-cost home loan
31 may assert against an assignee or purchaser pursuant to 15

1 U.S.C. s. 1641.

2 Section 6. Right to cure high-cost home loans.--

3 (1) RIGHT TO REINSTATE.--For a high-cost home loan, if
4 a lender asserts that grounds for acceleration exist and
5 requires the payment in full of all sums secured by the
6 security instrument, the borrower, or anyone authorized to act
7 on the borrower's behalf, shall have the right, during the
8 45-day period set forth in subsection (2), to cure the default
9 and reinstate the home loan by tendering the amount or
10 performance as specified in this section. However, once a
11 lender has provided two such notices as required by this
12 section, for two separate incidents, a lender is not
13 thereafter required to provide the notice required by this
14 section, and the borrower is not entitled by this section to
15 cure the default, for a third or subsequent incident for which
16 the lender asserts that grounds exist for acceleration of the
17 loan and repayment in full. Cure of default as provided in
18 this section shall reinstate the borrower to the same position
19 as if the default had not occurred and shall nullify, as of
20 the date of the cure, any acceleration of any obligation under
21 the security instrument or note arising from the default.

22 (2) GROUNDS FOR REINSTATEMENT.--Before any action
23 filed to foreclose upon the home or other action is taken to
24 seize or transfer ownership of the home, a notice of the right
25 to cure the default must be delivered to the borrower at the
26 address of the property upon which any security exists for the
27 home loan by postage prepaid certified United States mail,
28 return receipt requested, which notice is effective upon
29 deposit in the United States mail, and shall inform the
30 borrower:

31 (a) Of the nature of default claimed on the home loan

1 and of the borrower's right to cure the default by paying the
2 sum of money required to cure the default. If the amount
3 necessary to cure the default will change during the 45-day
4 period after the effective date of the notice due to the
5 application of a daily interest rate or the addition of late
6 payment fees, as allowed by this act, the notice shall give
7 sufficient information to enable the borrower to calculate the
8 amount at any point during the 45-day period.

9 (b) Of the date by which the borrower shall cure the
10 default to avoid acceleration and initiation of foreclosure or
11 other action to seize the home, which date shall not be less
12 than 45 days after the date the notice is effective, and the
13 name and address and telephone number of a person to whom the
14 payment or tender shall be made.

15 (c) That if the borrower does not cure the default by
16 the date specified, the creditor may take steps to terminate
17 the borrower's ownership of the property by requiring payment
18 in full of the home loan and commencing a foreclosure
19 proceeding or other action to seize the home.

20 (d) Of the name and address of the creditor and the
21 telephone number of a representative of the creditor whom the
22 borrower may contact if the borrower disagrees with the
23 creditor's assertion that a default has occurred or the
24 correctness of the creditor's calculation of the amount
25 required to cure the default.

26 (3) FEES.--To cure a default under this section, a
27 borrower shall not be required to pay any charge, fee, or
28 penalty attributable to the exercise of the right to cure a
29 default as provided for in this section, other than the fees
30 specifically allowed by this act. The borrower shall not be
31 liable for any attorney's fees or costs relating to the

1 borrower's default that are incurred by the creditor prior to
2 or during the 45-day period set forth in paragraph (2)(b).

3 Section 7. Powers and duties of the Department of
4 Banking and Finance; investigations; examinations;
5 injunctions; orders.--

6 (1)(a) The department shall be responsible for the
7 administration and enforcement of this act.

8 (b) The department may adopt rules pursuant to
9 sections 120.536(1) and 120.54, Florida Statutes, to implement
10 this act. The department may adopt rules to allow electronic
11 submission of any forms, documents, or fees required by this
12 act.

13 (2)(a) The department may conduct an investigation of
14 any person whenever the department has reason to believe, upon
15 complaint or otherwise, that any violation of the act has
16 occurred.

17 (b) Any person having reason to believe that a
18 provision of this act has been violated may file a written
19 complaint with the department setting forth the details of the
20 alleged violation.

21 (c) The department may conduct examinations of any
22 person to determine compliance with this act.

23 (3)(a) The department may bring action, through its
24 own counsel in the name and on behalf of the state, against
25 any person who has violated or is about to violate any
26 provision of this act, or any rule or order of the department
27 issued under the act, to enjoin the person from continuing in
28 or engaging in any act in furtherance of the violation.

29 (b) In any injunctive proceeding, the court may, on
30 due showing by the department, issue a subpoena or subpoena
31 duces tecum requiring the attendance of any witness and

1 requiring the production of any books, accounts, records, or
2 other documents and materials that appear necessary to the
3 expeditious resolution of the application for injunction.

4 (4) The department may issue and serve upon any person
5 an order to cease and desist and to take corrective action
6 whenever the department has reason to believe the person is
7 violating, has violated, or is about to violate any provision
8 of this act, any rule or order of the department issued under
9 this act, or any written agreement between the person and the
10 department. All procedural matters relating to issuance and
11 enforcement of cease and desist orders are governed by the
12 Administrative Procedure Act.

13 (5) Whenever the department finds a person in
14 violation of this act, it may enter an order imposing a fine
15 in an amount not exceeding \$5,000 for each count or separate
16 offense, provided that the aggregate fine for all violations
17 of this act that could have been asserted at the time of the
18 order imposing the fine shall not exceed \$500,000.

19 (6) Any violation of this act shall also be deemed to
20 be a violation of chapter 494, chapter 516, chapter 520,
21 chapter 655, chapter 657, chapter 658, chapter 660, chapter
22 663, chapter 665, or chapter 667, Florida Statutes. The
23 department may adopt rules to enforce this subsection.

24 Section 8. Enforcement.--

25 (1) Any person or the agent, officer, or other
26 representative of any person committing a material violation
27 of the provisions of this act shall forfeit the entire
28 interest charged in the high-cost home loan or contracted to
29 be charged or received, and only the principal sum of such
30 high-cost home loan can be enforced in any court in this
31 state, either at law or in equity.

1 (2) A creditor in a home loan who, when acting in good
2 faith, fails to comply with the provisions of this act shall
3 not be deemed to have violated this act if the creditor
4 establishes that within 60 days after receiving any notice
5 from the borrower of the compliance failure, which compliance
6 failure was not intentional and resulted from a bona fide
7 error notwithstanding the maintenance of procedures reasonably
8 adapted to avoid such errors, the borrower has been notified
9 of the compliance failure, appropriate restitution has been
10 made to the borrower, and appropriate adjustments are made to
11 the loan. Bona fide errors shall include, but not be limited
12 to, clerical, calculation, computer malfunction and
13 programming, and printing errors. An error of legal judgment
14 with respect to a person's obligations under this section is
15 not a bona fide error.

16 (3) The remedies provided in this section are
17 cumulative.

18 Section 9. General rule.--All counties and
19 municipalities of this state are prohibited from enacting and
20 enforcing ordinances, resolutions, and rules regulating
21 financial or lending activities, including ordinances,
22 resolutions, and rules disqualifying persons from doing
23 business with a city, county, or municipality based upon
24 lending interest rates or imposing reporting requirements or
25 any other obligations upon persons regarding financial
26 services or lending practices of persons or entities, and any
27 subsidiaries or affiliates thereof, who:

28 (1) Are subject to the jurisdiction of the department,
29 including for activities subject to this chapter;

30 (2) Are subject to the jurisdiction of the Office of
31 Thrift Supervision, the Office of the Comptroller of the

Amendment No. ____ (for drafter's use only)

1 Currency, the National Credit Union Administration, the
2 Federal Deposit Insurance Corporation, the Federal Trade
3 Commission, or the United States Department of Housing and
4 Urban Development;

5 (3) Originate, purchase, sell, assign, secure, or
6 service property interests or obligations created by financial
7 transactions or loans made, executed, or originated by persons
8 referred to in subsection (1) or subsection (2) to assist or
9 facilitate such transactions;

10 (4) Are chartered by the United States Congress to
11 engage in secondary market mortgage transactions; or

12 (5) Are created by the Florida Housing Finance
13 Corporation.

14
15 Proof of noncompliance with this act can be used by a city,
16 county, or municipality of this state to disqualify a vendor
17 or contractor from doing business with a city, county, or
18 municipality of this state.

19 Section 10. Severability.--The provisions of this act
20 are severable, and if any phrase, clause, sentence, or
21 provision is declared invalid or is preempted by federal law
22 or regulation, the validity of the remainder of the act shall
23 not be affected. If any provision of this act is declared to
24 be inapplicable to any specific category, type, or kind of
25 loan or points and fees, the provisions of this act shall
26 nonetheless continue to apply with respect to all other loans
27 and points and fees.

28 Section 11. This act shall take effect October 2,
29 2002.

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Amendment No. ____ (for drafter's use only)

1 ===== T I T L E A M E N D M E N T =====

2 And the title is amended as follows:

3 Delete everything before the enacting clause

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5 and insert:

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 A bill to be entitled

7

 An act relating to the Florida Fair Lending

8

 Act; providing a short title; providing

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 legislative findings; providing definitions;

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 specifying prohibited acts relating to

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 high-cost home loans; specifying required

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 disclosures for high-cost home loans;

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 specifying liability of purchasers and

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 assignees; requiring lenders of high-cost home

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 loans to provide notice to borrowers prior to

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 taking foreclosure actions; allowing the

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 borrower to cure the default; providing

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 administration and enforcement powers and

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 duties of the Department of Banking and

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 Finance; authorizing the department to conduct

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 investigations and examinations; providing for

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 complaints; authorizing the department to bring

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 actions for injunctions; providing for issuance

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 of subpoenas; authorizing the department to

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 issue and serve cease and desist orders for

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 certain purposes; authorizing the department to

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 impose certain fines under certain

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 circumstances; specifying effect; authorizing

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 the department to adopt rules; providing that a

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 lender who violates this act forfeits the

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 interest in the high-cost home loan; providing

Amendment No. ____ (for drafter's use only)

1 that certain unintentional good-faith errors
2 are not deemed violations of th act; preempting
3 regulation of high-cost home loans to the
4 state; providing severability; providing an
5 effective date.
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