

HB 1492 -- High Risk Home Loan Act

Sponsor: George

This bill establishes the High Risk Home Loan Act. In its main provisions, the bill:

(1) Defines "approved credit counselor," "borrower," "good faith," "high risk home loan," "points and fees," and "total loan amount";

(2) Prohibits creditors from making high risk home loans to any borrower if his or her monthly payment on the loan, including principal, interest, taxes, insurance, and assessments, combined with the scheduled payments for all other disclosed debts, exceeds 50% of the borrower's monthly gross income;

(3) Requires lenders to verify the borrower's ability to repay the loan;

(4) Requires lenders to act in good faith and not employ deceptive acts or practices;

(5) Specifies penalty provisions and amounts a lender may charge;

(6) Prohibits lenders from:

(a) Financing insurance premiums;

(b) Refinancing loans within 12 months unless the borrower benefits;

(c) Charging finance points and fees exceeding 6% of the loan;

(d) Making payments directly to a contractor;

(e) Making loans where the outstanding balance will increase;

(f) Charging excessive late fees;

(g) Requiring more than two payments be paid in advance of the loan;

(h) Accelerating loan payments without cause; and

(i) Making loans without notice to the borrower that he or she may be able to obtain a loan at a lower cost;

(7) Specifies the lender's and borrower's duties regarding late

payments and defaults. Before actions to foreclose or collect money can be taken, the lender must deliver the borrower a notice of the right to cure the default, informing the borrower of his or her rights;

(8) Establishes the Mortgage Awareness Program within the Division of Finance and the Division of Credit Unions to provide counseling and education on residential mortgage loans;

(9) Requires each servicer of Missouri residential mortgage loans on or before October 1 and April 1 of each year to report to the Director of the Division of Finance or the Director of the Division of Credit Unions the default and foreclosure data of conventional loans for the six-month period ending June 13 and December 31 respectively; and

(10) Specifies that any violation of these provisions is considered an unlawful practice under Section 407.020, RSMo.