

# LENDERS UPDATE™

A MONTHLY SERVICE TO THE MORTGAGE LENDING INDUSTRY

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## ALT & ASSOCIATES

Tel: (949) 756-5250

Attorneys at Law

Fax: (949) 756-5270

e-mail:

18010 Skypark Circle, Suite 200

[david.j.alt@altandassociates.com](mailto:david.j.alt@altandassociates.com)

Irvine, California 92614

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As many of you know, for some time we have published our Lenders Update Manual which is a compendium of regulations, statutes and predatory lending information throughout the nation. Previously this was only available in the rather costly print version. We are pleased to be able to offer the identical product in an easy to use electronic email version. The introductory cost is greatly reduced to \$50.00, including the quarterly updates for the first year. Thereafter, there will be a \$50/annum subscription fee.

Please see our website at [www.altandassociates.com](http://www.altandassociates.com) for more details and ordering information and if you have any questions don't hesitate to contact us directly.

*The purpose of the Lenders Update is to provide a "heads-up" of new legislation and regulations affecting the mortgage lending industry. We try to provide brief summaries of new matters so our readers can judge whether the subject impacts their operations. We recommend that our readers review the entire new material in detail where relevant. For your convenience, the applicable statute, regulation or cases can be easily identified in the summary. Our Update includes changes in legislation available to Alt & Associates by February 15, 2007*

## FEDERAL ISSUES

### HOME EQUITY CONVERSION MORTGAGES

On January 8, 2007 the Department of Housing and Urban Development published in the Federal Register, Vol. 72, No. 004, proposed rules regarding Home Equity Conversion Mortgage (HECM's). The new proposals concern counseling standardization and rosters.

The new proposed Rule would amend HUD's HECM's regulations to establish testing standards to qualify individuals as HECM counselors eligible to provide counseling to prospective borrowers. The Rule also would establish a roster of eligible counselors for HECM's and allow this roster to be amended to remove counselors based on cause.

As we know, HECM's require counseling and it is HUD's belief that the new rules would help to ensure informed decisions be made by elderly homeowners.

Comments may be made until March 9, 2007 at the addresses provided in the Notice of Proposed Rules, at the Federal Register address mentioned.

## STATE ISSUES

### ILLINOIS

#### **Program Suspended**

For those of you who have not heard, Illinois Statute HB 4050 was suspended on January 19, 2007. Cook County Recorder's Office is now accepting mortgages without the certificate required by the code section.

### MICHIGAN

#### **Collecting Non-Traditional Mortgage Data**

Last year, the federal regulatory agencies promulgated guidance regarding originations by its institutions of non-traditional mortgages. This was followed by the AARMR and the CSBS who issued similar guidance to state licensees. We provided information as to where to find these documents in the January Lenders Update.

Michigan has now announced that it will begin the collection of data for the year 2007 concerning sales of non-traditional mortgage products. Our practice point is that its information should be flagged in your records such that it can be easily reported on your annual report for Michigan in early 2008. Again, the guidelines are available at <http://www.aarmr.org> (click AARMR/CSBS Guidance on Nontraditional Mortgage Product Risks)

### RHODE ISLAND

#### **New Predatory Lending Ordinance**

Providence, Rhode Island passed a predatory lending ordinance on December 28, 2006. The ordinance was forwarded to the Mayor, who signed the ordinance into law. We have attached a copy for your information.

**Our monthly Lenders Update is published via e-mail as a complimentary service to our subscribers and clients in the financial industry throughout California and the United States. Our Lenders Update Manual: A Guide to State Mortgage Lending Law is available through our website at**

**[www.altandassociates.com](http://www.altandassociates.com)**

**Only those persons who have requested this newsletter are on our mailing list. Should you have colleagues who wish to receive this complimentary service, please have them e-mail us at**

**[susan.graaff@altandassociates.com](mailto:susan.graaff@altandassociates.com)**

**ALT & ASSOCIATES provides regulatory, compliance and licensing services, operational advice and transactional assistance, as well as litigation representation, to the financial services industry. Over the past two decades, members of the firm have represented Institutional Lenders and Mortgage Bankers and Brokers in all aspects of their operations. If you have any questions please contact:**

**David J. Alt, Esq.**

**[David.j.alt@altandassociates.com](mailto:David.j.alt@altandassociates.com)**

# City of Providence

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

## CHAPTER 2007-15

No. 26

### AN ORDINANCE

AMENDING THE CITY OF PROVIDENCE  
ORDINANCE CHAPTER 2006-33 No. 245, APPROVED JUNE  
12, 2006 REGARDING CITY DEPOSITORY BANKS

Approved January 8, 2007

***Be it ordained by the City of Providence:***

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PROVIDENCE:

SECTION 1. The Code of Ordinances of the City of Providence is hereby amended as follows:

Section 1. Lending and deposit specifications required.

With each bid for interest upon city and school funds, the controller shall obtain, in a form prescribed by him from each bidder, the lending and deposit information for its home office and for each branch office or facility information that shall include, but is not limited to, the following:

- (a) the affidavit required under Section 2;
- (b) the number of high cost loans made by the lender and its affiliates;
- (c) the market share ratio of the lender's refinance loans in minority census tracts in Providence to non-minority census tracts in Providence;
- (d) the market share ratio of the lender's refinance loans in low and moderate income census tracts in Providence to middle and upper income census tracts.
- (e) Ratios of high cost loans shall be broken out separately; and considering each lender and affiliate separately in the calculations.

Section 2. Definitions: city depository.

(a) The definitions of R.I.G.L. § 34-25.2-4, as amended from time to time, are hereby incorporated into this Ordinance by reference. In addition, as used in this Ordinance, the following terms shall have the meanings respectively indicated below:

"Predatory lender" means a business entity that has made, within the previous 24 month period, predatory loans that comprise either:

- (1) 5% of the total annual number of loans made; or
- (2) 25 individual loans; whichever is less.

Each lender and affiliate shall be considered separately for the purposes of these calculations, and only loans secured by residential real estate that is located within the City of Providence shall be considered. The term "predatory lender" shall not include a business entity that has demonstrated to the satisfaction of the Director of Finance that it has discontinued the practice of making predatory loans and has taken steps to ensure that it does not make such loans in the future.

"Predatory loan" means a loan that violates any of the provisions of R.I.G.L. § 35-25.2-5 or § 35-25.2-6.

(b) No bidding bank or savings and loan association may be designated as a city depository if it or any of its affiliates is a predatory lender. Every bidding bank and loan association shall, prior to any such designation, submit to the City an affidavit certifying that neither it, nor any of its affiliates, is a predatory lender. The affidavit shall be in a form prescribed by the Director of Finance and shall be sworn by one or more of the officers of the bank or loan association.

### Section 3. City contracts.

(a) No person or business entity shall be awarded a contract with the City if the person or business entity, or any of its affiliates is a predatory lender. Every person or business entity seeking to do business with the City shall submit to the City an affidavit certifying that neither it, nor any of its affiliates, is a predatory lender. The affidavit shall be in a form prescribed by the Director of Finance and shall be sworn by the person or one or more of the officers or owners of the business entity, as the case may be. Nothing in this section shall affect the validity of any contract entered into in connection with any debt obligations issued by or on behalf of the City, regardless of whether the contract is

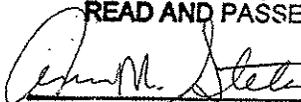
awarded in compliance with this Section. Any other contract awarded in violation of this Section shall be voidable at the option of the City.

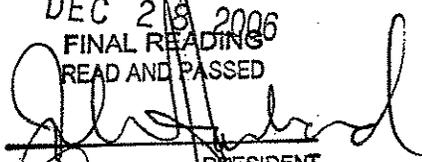
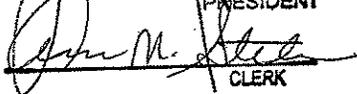
(b) The purchasing agent may suspend the ineligibility of a person or business entity in order to allow execution of a contract with the person or entity, upon written application by the head of a city agency or department affected by the proposed contract, setting forth facts sufficient in the judgment of the purchasing agent to establish: (i) that the public health, safety or welfare of the city requires the goods or services of the person or business entity; and (ii) that the city is unable to acquire the goods or services at comparable price and quality, and in sufficient quantity from other sources.

Section 4. Severability.

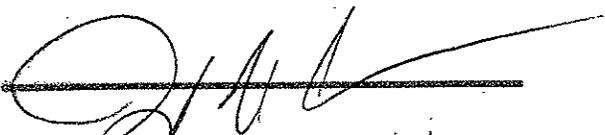
If any provision of this ordinance is held invalid, such provision shall be deemed excised from this ordinance and the invalidity thereof shall not affect any of the other provisions of this ordinance. If the application of any provision of this ordinance to any person or circumstance is held invalid, it shall not affect the application of such provision to other persons or circumstances.

SECTION 2. This ordinance shall take effect on passage and shall be retroactive to July 11, 2006.

**IN CITY COUNCIL**  
DEC 7 2006  
FIRST READING  
READ AND PASSED  
  
CLERK

**IN CITY COUNCIL**  
DEC 21 2006  
FINAL READING  
READ AND PASSED  
  
PRESIDENT  
  
CLERK

**APPROVED**

  
MAYOR 1/8/07