



Homeowners' Bill of Rights

Rhode Islanders know all too well the pain of foreclosure. Despite minor improvements, the number of foreclosure starts and loans with payments past-due in our state remains unacceptably high as compared to both the region and the rest of the country. Persistent unemployment and high housing cost burdens leave even more of our state's homeowners at risk.

High rates of foreclosures not only threaten the health and safety of our families – they undermine the very communities in which we live as well. Studies have shown that neighborhoods that lose their owner-occupants have higher crime rates, and result in additional stress on government resources. When a home is foreclosed on, it brings down the residential property value of neighboring homes, and reduces the local tax base. In other words, foreclosures don't just affect the families being foreclosed upon – they affect all Rhode Islanders.

That's why it's absolutely critical that we do everything we can as a state to support our residents whose homes are being foreclosed on, or whose homes are at risk of foreclosure. As Governor, I will institute a Homeowners Bill of Rights to hold banks and lenders responsible for the welfare of our families.

The Bill of Rights will:

- **Require banks to prove that the value of foreclosure outweighs the value of modifying the home before denying homeowners the opportunity to modify their loan.** In Massachusetts, for example, banks can no longer foreclose on homeowners when it would be less costly to allow a homeowners, who are willing and able to renegotiate terms, to modify the mortgage and stay in their home. Under the state's Act Preventing Unnecessary and Unlawful Foreclosures signed in August 2012, creditors now must determine whether the value of modifying the loan outweighs the likely value of foreclosure and, if so, the creditor must make the loan modification. This provision ensures that borrowers will be given every reasonable opportunity to remain in their homes. Just a year after Massachusetts implement this law, foreclosure petitions in the state dropped considerably.
- **Ensure the availability of professional and confidential housing and foreclosure counseling,** homeownership resources, and neighborhood-based foreclosure intervention to help homeowners understand and manage alternatives to foreclosure.
- **Prevent dual-track foreclosure,** so that mortgage servicers cannot advance the foreclosure process while a homeowner is working on securing a loan modification.
- **Create a "duty of agency" for all mortgage brokers operating in the state,** so that brokers are legally required to work in the best interests of consumers.
- **Require all lenders to make a filing of all foreclosure notices with the state within three days,** so that the state can target assistance to distressed homeowners during the pre-foreclosure timeframe.
- **Increase transparency between lenders and homeowners by:**
 - Requiring full disclosures of payment increases, balloon payments, and responsibility for taxes and insurance;

- Mandate that mortgage and real estate advertising fully disclose the index costs of their loans; and
 - Require lenders to notify borrowers three to six months in advance of interest rate resets, and notify them about the availability of counseling and assistance when the mortgager is in default prior to bringing a foreclosure action.
- **Create tools to strengthen the state's ability to fight mortgage fraud and combat dishonest lending practices by:**
 - Maintaining a registry of all lenders who have had complaints lodged against them, and banning all mortgage originators who have been found to engaged in dishonest and fraudulent practices;
 - Requiring background checks on all mortgage originators; and
 - Increase the penalties for professional misconduct of lenders including stiffer penalties for lenders that make procedural omissions and errors, produce fraudulent documents, or otherwise act in bad faith during the foreclosures process.