

108TH CONGRESS
2D SESSION

H. R. 3974

To amend the Truth in Lending Act to impose restrictions and limitations on high-cost mortgages, to revise the permissible fees and charges on certain loans made, to prohibit unfair or deceptive practices by mortgage brokers and creditors, and to provide for public education and counseling about predatory lenders, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 2004

Mr. MILLER of North Carolina (for himself and Mr. WATT) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Truth in Lending Act to impose restrictions and limitations on high-cost mortgages, to revise the permissible fees and charges on certain loans made, to prohibit unfair or deceptive practices by mortgage brokers and creditors, and to provide for public education and counseling about predatory lenders, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Prohibit Predatory Lending Act”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions relating to high-cost mortgages.
- Sec. 3. Amendments to existing requirements for certain mortgages.
- Sec. 4. Additional requirements for certain mortgages.
- Sec. 5. Amendment to provision governing correction of errors.
- Sec. 6. Amendment relating to right of rescission.
- Sec. 7. Amendments to civil liability provisions.
- Sec. 8. Protections for all home loans.
- Sec. 9. Regulations.

3 **SEC. 2. DEFINITIONS RELATING TO HIGH-COST MORT-**
 4 **GAGES.**

5 (a) HIGH-COST MORTGAGE DEFINED.—Section
 6 103(aa) of the Truth in Lending Act (15 U.S.C.
 7 1602(aa)) is amended by striking all that precedes para-
 8 graph (2) and inserting the following:

9 “(aa) HIGH-COST MORTGAGE.—

10 “(1) DEFINITION.—

11 “(A) IN GENERAL.—The term ‘high-cost
 12 mortgage’, and a mortgage referred to in this
 13 subsection, means a consumer credit trans-
 14 action that is secured by the consumer’s prin-
 15 cipal dwelling, other than a reverse mortgage
 16 transaction, if—

17 “(i) in the case of a loan secured—

18 “(I) by a first mortgage on the
 19 consumer’s principal dwelling, the an-
 20 nual percentage rate at consummation
 21 of the transaction will exceed by more

1 than 8 percentage points the yield on
2 Treasury securities having comparable
3 periods of maturity on the 15th day of
4 the month immediately preceding the
5 month in which the application for the
6 extension of credit is received by the
7 creditor; or

8 “(II) by a subordinate or junior
9 mortgage on the consumer’s principal
10 dwelling, the annual percentage rate
11 at consummation of the transaction
12 will exceed by more than 10 percent-
13 age points the yield on Treasury secu-
14 rities having comparable periods of
15 maturity on the 15th day of the
16 month immediately preceding the
17 month in which the application for the
18 extension of credit is received by the
19 creditor;

20 “(ii) the total points and fees payable
21 in connection with the loan exceed—

22 “(I) in the case of a loan for
23 \$20,000 or more, 5 percent of the
24 total loan amount; or

1 “(II) in the case of a loan for
2 less than \$20,000, the lesser of 8 per-
3 cent of the total loan amount or
4 \$1,000; or

5 “(iii) the loan documents permit the
6 lender to charge or collect prepayment fees
7 or penalties more than 30 months after the
8 loan closing or such fees or penalties ex-
9 ceed, in the aggregate, more than 2 per-
10 cent of the amount prepaid.

11 “(B) INTRODUCTORY RATES TAKEN INTO
12 ACCOUNT.—For purposes of subparagraph
13 (A)(i), the annual percentage rate of interest
14 shall be determined based on the following in-
15 terest rate:

16 “(i) In the case of a fixed-rate loan in
17 which the annual percentage rate will not
18 vary during the term of the loan, the inter-
19 est rate in effect on the date of consumma-
20 tion of the transaction.

21 “(ii) In the case of a loan in which
22 the rate of interest varies solely in accord-
23 ance with an index, the interest rate deter-
24 mined by adding the index rate in effect on
25 the date of consummation of the trans-

1 action to the maximum margin permitted
2 at any time during the loan agreement.

3 “(iii) In the case of any other loan in
4 which the rate may vary at any time dur-
5 ing the term of the loan for any reason,
6 the interest charged on the loan at the
7 maximum rate that may be charged during
8 the term of the loan.”.

9 (b) ADJUSTMENT OF PERCENTAGE POINTS.—Section
10 103(aa)(2) of the Truth in Lending Act (15 U.S.C.
11 1602(aa)(2)) is amended by striking subparagraph (B)
12 and inserting the following new subparagraph:

13 “(B) An increase or decrease under sub-
14 paragraph (A)—

15 “(i) may not result in the number of
16 percentage points referred to in paragraph
17 (1)(A)(i)(I) being less than 6 percentage
18 points or greater than 10 percentage
19 points; and

20 “(ii) may not result in the number of
21 percentage points referred to in paragraph
22 (1)(A)(i)(II) being less than 8 percentage
23 points or greater than 12 percentage
24 points.”.

25 (c) POINTS AND FEES DEFINED.—

1 (1) IN GENERAL.—Section 103(aa)(4) of the
2 Truth in Lending Act (15 U.S.C. 1602(aa)(4)) is
3 amended—

4 (A) by striking subparagraph (B) and in-
5 serting the following:

6 “(B) all compensation paid directly or indi-
7 rectly by a consumer or creditor to a mortgage
8 broker from any source, including a mortgage
9 broker that originates a loan in the name of the
10 broker in a table-funded transaction;”;

11 (B) in subparagraph (C)(ii), by striking
12 “and” after the semicolon at the end;

13 (C) by redesignating subparagraph (D) as
14 subparagraph (G); and

15 (D) by inserting after subparagraph (C)
16 the following new subparagraphs:

17 “(D) premiums or other charges payable at
18 or before closing for any credit life, credit dis-
19 ability, credit unemployment, or credit property
20 insurance, or any other accident, loss-of-income,
21 life or health insurance, or any payments di-
22 rectly or indirectly for any debt cancellation or
23 suspension agreement or contract, except that
24 insurance premiums or debt cancellation or sus-
25 pension fees calculated and paid in full on a

1 monthly basis shall not be considered financed
2 by the creditor;

3 “(E) except as provided in subsection (cc),
4 the maximum prepayment fees and penalties
5 which may be charged or collected under the
6 terms of the loan documents;

7 “(F) all prepayment fees or penalties that
8 are incurred by the borrower if the loan refi-
9 nances a previous loan made or currently held
10 by the same creditor or an affiliate of the cred-
11 itor; and”.

12 (2) CALCULATION OF POINTS AND FEES FOR
13 OPEN-END LOANS.—Section 103(aa) of the Truth in
14 Lending Act (15 U.S.C. 1602(aa)) is amended—

15 (A) by redesignating paragraph (5) as
16 paragraph (6); and

17 (B) by inserting after paragraph (4) the
18 following new paragraph:

19 “(5) CALCULATION OF POINTS AND FEES FOR
20 OPEN-END LOANS.—In the case of open-end loans,
21 points and fees shall be calculated, for purposes of
22 this section and section 129, by adding the total
23 points and fees known at or before closing, including
24 the maximum prepayment penalties which may be
25 charged or collected under the terms of the loan doc-

1 uments, plus the minimum additional fees the con-
2 sumer would be required to pay to draw down an
3 amount equal to the total credit line.”.

4 (d) HIGH COST MORTGAGE LENDER.—Section
5 103(f) of the Truth in Lending Act (15 U.S.C. 1602(f))
6 is amended by striking the last sentence and inserting the
7 following new sentence: “Any person who originates or
8 brokers 2 or more mortgages referred to in subsection (aa)
9 in any 12-month period, any person who originates 1 or
10 more such mortgages through a mortgage broker in any
11 12 month period, or, in connection with a table funding
12 transaction of such a mortgage, and any person to whom
13 the obligation is initially assigned at or after settlement
14 shall be considered to be a creditor for purposes of this
15 title.”.

16 (e) BONA FIDE DISCOUNT LOAN DISCOUNT POINTS
17 AND PREPAYMENT PENALTIES.—Section 103 of the
18 Truth in Lending Act (15 U.S.C. 1602) is amended by
19 adding at the end the following new subsection:

20 “(cc) BONA FIDE DISCOUNT POINTS AND PREPAY-
21 MENT PENALTIES.—For the purposes of determining the
22 amount of points and fees for purposes of subsection (aa),
23 either the amounts described in paragraphs (1) or (4) of
24 the following paragraphs, but not both, may be excluded:

1 “(1) EXCLUSION OF BONA FIDE DISCOUNT
2 POINTS.—The discount points described in 1 of the
3 following subparagraphs shall be excluded from de-
4 termining the amounts of points and fees with re-
5 spect to a high-cost mortgage for purposes of sub-
6 section (aa):

7 “(A) Up to and including 2 bona fide dis-
8 count points payable by the borrower in connec-
9 tion with the mortgage, but only if the interest
10 rate from which the mortgage’s interest rate
11 will be discounted does not exceed by more than
12 1 percentage point the required net yield for a
13 90-day standard mandatory delivery commit-
14 ment for a reasonably comparable loan from ei-
15 ther the Federal National Mortgage Association
16 or the Federal Home Loan Mortgage Corpora-
17 tion, whichever is greater.

18 “(B) Unless 2 bona fide discount points
19 have been excluded under subparagraph (A), up
20 to and including 1 bona fide discount points
21 payable by the borrower in connection with the
22 mortgage, but only if the interest rate from
23 which the mortgage’s interest rate will be dis-
24 counted does not exceed by more than 2 per-
25 centage points the required net yield for a 90-

1 day standard mandatory delivery commitment
2 for a reasonably comparable loan from either
3 the Federal National Mortgage Association or
4 the Federal Home Loan Mortgage Corporation,
5 whichever is greater.

6 “(2) DEFINITION.—For purposes of paragraph
7 (1), the term ‘bona fide discount points’ means loan
8 discount points which are knowingly paid by the con-
9 sumer for the purpose of reducing, and which in fact
10 result in a bona fide reduction of, the interest rate
11 or time-price differential applicable to the mortgage.

12 “(3) EXCEPTION FOR INTEREST RATE REDUC-
13 TIONS INCONSISTENT WITH INDUSTRY NORMS.—
14 Paragraph (1) shall not apply to discount points
15 used to purchase an interest rate reduction unless
16 the amount of the interest rate reduction purchased
17 is reasonably consistent with established industry
18 norms and practices for secondary mortgage market
19 transactions.

20 “(4) ALLOWANCE OF CONVENTIONAL PREPAY-
21 MENT PENALTY.—Subsection (aa)(1)(4)(E) shall not
22 apply so as to include a prepayment penalty or fee
23 that is authorized by law other than this title and
24 may be imposed pursuant to the terms of a high-cost

1 mortgage (or other consumer credit transaction se-
2 cured by the consumer’s principal dwelling) if—

3 “(A) the annual percentage rate applicable
4 with respect to such mortgage or transaction
5 (as determined for purposes of subsection
6 (aa)(1)(A)(i))—

7 “(i) in the case of a first mortgage on
8 the consumer’s principal dwelling, does not
9 exceed by more than 2 percentage points
10 the yield on Treasury securities having
11 comparable periods of maturity on the
12 15th day of the month immediately pre-
13 ceding the month in which the application
14 for the extension of credit is received by
15 the creditor; or

16 “(ii) in the case of a subordinate or
17 junior mortgage on the consumer’s prin-
18 cipal dwelling, does not exceed by more
19 than 4 percentage points the yield on such
20 Treasury securities; and

21 “(B) the total amount of any prepayment
22 fees or penalties permitted under the terms of
23 the high-cost mortgage or transaction does not
24 exceed 2 percent of the amount prepaid.”.

1 **SEC. 3. AMENDMENTS TO EXISTING REQUIREMENTS FOR**
2 **CERTAIN MORTGAGES.**

3 (a) PREPAYMENT PENALTY PROVISIONS.—Section
4 129(e)(2) of the Truth in Lending Act (15 U.S.C.
5 1639(e)(2)) is amended—

6 (1) by striking “and” after the semicolon at the
7 end of subparagraph (C);

8 (2) by redesignating subparagraph (D) as sub-
9 paragraph (E); and

10 (3) by inserting after subparagraph (C) the fol-
11 lowing new subparagraph:

12 “(D) the amount of the principal obliga-
13 tion of the mortgage exceeds the maximum
14 principal obligation limitation (for the applica-
15 ble size residence) under section 203(b)(2) of
16 the National Housing Act for the area in which
17 the residence subject to the mortgage is located;
18 and”.

19 (b) NO BALLOON PAYMENTS.—Section 129(e) of the
20 Truth in Lending Act (15 U.S.C. 1639(e)) is amended to
21 read as follows:

22 “(e) NO BALLOON PAYMENTS.—No high-cost mort-
23 gage may contain a scheduled payment that is more than
24 twice as large as the average of earlier scheduled pay-
25 ments. This subsection shall not apply when the payment

1 schedule is adjusted to the seasonal or irregular income
2 of the consumer.”.

3 (c) NO LENDING WITHOUT DUE REGARD TO ABIL-
4 ITY TO REPAY.—Section 129(h) of the Truth in Lending
5 Act (15 U.S.C. 1639(h)) is amended—

6 (1) by striking “PAYMENT ABILITY OF CON-
7 SUMER.—A creditor shall not” and inserting “PAY-
8 MENT ABILITY OF CONSUMER.—

9 “(1) PATTERN OR PRACTICE.—

10 “(A) IN GENERAL.—A creditor shall not”;

11 (2) by inserting after subparagraph (A) (as so
12 designated by paragraph (1) of this subsection) the
13 following new subparagraph:

14 “(B) PRESUMPTION OF VIOLATION.—

15 There shall be a presumption that a creditor
16 has violated this subsection if the creditor en-
17 gages in a pattern or practice of making high-
18 cost mortgages without verifying or docu-
19 menting the repayment ability of consumers
20 with respect to such loans.”; and

21 (3) by adding at the end the following new
22 paragraph:

23 “(2) PROHIBITION ON EXTENDING CREDIT
24 WITHOUT REGARD TO PAYMENT ABILITY OF CON-
25 SUMER.—

1 “(A) IN GENERAL.—A creditor may not
2 extend credit to a consumer under a high-cost
3 mortgage unless a reasonable creditor would be-
4 lieve at the time the loan is closed that the con-
5 sumer or consumers that are residing or will re-
6 side in the residence subject to the mortgage
7 will be able to make the scheduled payments as-
8 sociated with the loan, based upon a consider-
9 ation of current and expected income, current
10 obligations, employment status, and other fi-
11 nancial resources, other than equity in the resi-
12 dence.

13 “(B) PRESUMPTION OF ABILITY.—For
14 purposes of this subsection, there shall be a re-
15 buttable presumption that a consumer is able to
16 make the scheduled payments to repay the obli-
17 gation if, at the time the loan is consummated,
18 the consumer’s total monthly debts, including
19 amounts under the loan, do not exceed 50 per-
20 cent of his or her monthly gross income as
21 verified by tax returns, payroll receipts, or other
22 third-party income verification.”.

1 **SEC. 4. ADDITIONAL REQUIREMENTS FOR CERTAIN MORT-**
2 **GAGES.**

3 (a) ADDITIONAL REQUIREMENTS FOR CERTAIN
4 MORTGAGES.—Section 129 of the Truth in Lending Act
5 (15 U.S.C. 1639) is amended—

6 (1) by redesignating subsections (j), (k) and (l)
7 as subsections (n), (o) and (p) respectively; and

8 (2) by inserting after subsection (i) the fol-
9 lowing new subsections:

10 “(j) RECOMMENDED DEFAULT.—No creditor shall
11 recommend or encourage default on an existing loan or
12 other debt prior to and in connection with the closing or
13 planned closing of a high-cost mortgage that refinances
14 all or any portion of such existing loan or debt.

15 “(k) LATE FEES.—

16 “(1) IN GENERAL.—No lender may impose a
17 late payment charge or fee in connection with a
18 high-cost mortgage—

19 “(A) in an amount in excess of 4 percent
20 of the amount of the payment past due;

21 “(B) unless the loan documents specifically
22 authorize the charge or fee;

23 “(C) before the end of the 15-day period
24 beginning on the date the payment is due, or in
25 the case of a loan on which interest on each in-
26 stallment is paid in advance, before the end of

1 the 30-day period beginning on the date the
2 payment is due; or

3 “(D) more than once with respect to a sin-
4 gle late payment.

5 “(2) COORDINATION WITH SUBSEQUENT LATE
6 FEES.—If a payment is otherwise a full payment for
7 the applicable period and is paid on its due date or
8 within an applicable grace period, and the only delin-
9 quency or insufficiency of payment is attributable to
10 any late fee or delinquency charge assessed on any
11 earlier payment, no late fee or delinquency charge
12 may be imposed on such payment.

13 “(3) FAILURE TO MAKE INSTALLMENT PAY-
14 MENT.—If, in the case of a loan agreement the
15 terms of which provide that any payment shall first
16 be applied to any past due principal balance, the
17 borrower fails to make an installment payment and
18 the borrower subsequently resumes making install-
19 ment payments but has not paid all past due install-
20 ments, the lender may impose a separate late pay-
21 ment charge or fee for any principal due (without
22 deduction due to late fees or related fees) until the
23 default is cured.

24 “(l) ACCELERATION OF DEBT.—No high-cost mort-
25 gage may contain a provision which permits the creditor,

1 in its sole discretion, to accelerate the indebtedness. This
2 provision shall not apply when repayment of the loan has
3 been accelerated by default, pursuant to a due-on-sale pro-
4 vision, or pursuant to a material violation of some other
5 provision of the loan documents unrelated to the payment
6 schedule.

7 “(m) RESTRICTION ON FINANCING POINTS AND
8 FEES.—No creditor may directly or indirectly finance, in
9 connection with any high-cost mortgage, any of the fol-
10 lowing:

11 “(1) Any prepayment fee or penalty payable by
12 the borrower in a refinancing transaction if the lend-
13 er or an affiliate of the lender is the noteholder of
14 the note being refinanced.

15 “(2) Any points or fees.”

16 (b) PROHIBITIONS ON EVASIONS.—Section 129 of
17 the Truth in Lending Act (15 U.S.C. 1639 is amended
18 by inserting after subsection (p) (as so redesignated by
19 subsection (a)(1) of this section) the following new sub-
20 section:

21 “(q) PROHIBITIONS ON EVASIONS, STRUCTURING OF
22 TRANSACTIONS, AND RECIPROCAL ARRANGEMENTS.—A
23 creditor may not take any action in connection with a
24 high-cost mortgage—

1 “(1) to structure a loan transaction as an open-
2 end credit plan or another form of loan for the pur-
3 pose and with the intent of evading the provisions of
4 this title; or

5 “(2) to divide any loan transaction into sepa-
6 rate parts for the purpose and with the intent of
7 evading provisions of this title.”.

8 (c) MODIFICATION OR DEFERRAL FEES.—Section
9 129 of the Truth in Lending Act (15 U.S.C. 1639) is
10 amended by inserting after subsection (q) (as added by
11 subsection (b) of this section) the following new sub-
12 section:

13 “(r) MODIFICATION AND DEFERRAL FEES PROHIB-
14 ITED.—A creditor may not charge a consumer any fee to
15 modify, renew, extend, or amend a high-cost mortgage, or
16 to defer any payment due under the terms of such mort-
17 gage, unless the modification, renewal, extension or
18 amendment results in a lower annual percentage rate on
19 the mortgage for the consumer and then only if the
20 amount of the fee is comparable to fees imposed for simi-
21 lar transactions in connection with consumer credit trans-
22 actions that are secured by a consumer’s principal dwell-
23 ing and are not high-cost mortgages.”.

24 (d) ARBITRATION AND FORUM SHOPPING.—Section
25 129 of the Truth in Lending Act (15 U.S.C. 1639) is

1 amended by inserting after subsection (r) (as added by
2 subsection (e) of this section) the following:

3 “(s) ARBITRATION.—

4 “(1) IN GENERAL.—A high-cost mortgage may
5 not include terms which require arbitration or any
6 other nonjudicial procedure as the method for resolv-
7 ing any controversy or settling any claims arising
8 out of the transaction.

9 “(2) POST-CONTROVERSY AGREEMENTS.—Sub-
10 ject to paragraph (3), paragraph (1) shall not be
11 construed as limiting the right of the consumer and
12 the creditor to agree to arbitration or any other non-
13 judicial procedure as the method for resolving any
14 controversy at any time after a dispute or claim
15 under the transaction arises.

16 “(3) NO WAIVER OF STATUTORY CAUSE OF AC-
17 TION.—No provision of any high-cost mortgage or
18 any agreement between the consumer and the cred-
19 itor shall be applied or interpreted so as to bar a
20 consumer from bringing an action in an appropriate
21 district court of the United States, or any other
22 court of competent jurisdiction, pursuant to section
23 130 or any other provision of law, for damages or
24 other relief in connection with any alleged violation

1 of this section, any other provision of this title, or
2 any other Federal law.”.

3 (e) PAYOFF STATEMENT.—Section 129 of the Truth
4 in Lending Act (15 U.S.C. 1639) is amended by inserting
5 after subsection (s) (as added by subsection (d) of this
6 section) the following new subsection:

7 “(t) PAYOFF STATEMENT.—

8 “(1) FEES.—

9 “(A) IN GENERAL.—Except as provided in
10 subparagraph (B), no creditor or servicer may
11 charge a fee for informing or transmitting to
12 any person the balance due to pay off the out-
13 standing balance on a high-cost mortgage.

14 “(B) TRANSACTION FEE.—When payoff in-
15 formation referred to in subparagraph (A) is
16 provided by facsimile transmission or by a cou-
17 rier service, a creditor or servicer may charge a
18 processing fee to cover the cost of such trans-
19 mission or service in an amount not to exceed
20 an amount that is comparable to fees imposed
21 for similar services provided in connection with
22 consumer credit transactions that are secured
23 by the consumer’s principal dwelling and are
24 not high-cost mortgages.

1 “(C) FEE DISCLOSURE.—Prior to charging
2 a transaction fee as provided in subparagraph
3 (B), a creditor or servicer shall disclose that
4 payoff balances are available for free pursuant
5 to subparagraph (A).

6 “(D) MULTIPLE REQUESTS.—If a creditor
7 or servicer has provided payoff information re-
8 ferred to in subparagraph (A) without charge,
9 other than the transaction fee allowed by sub-
10 paragraph (B), on 4 occasions during a cal-
11 endar year, the creditor or servicer may there-
12 after charge a reasonable fee for providing such
13 information during the remainder of the cal-
14 endar year.

15 “(2) PROMPT DELIVERY.—Payoff balances shall
16 be provided within a reasonable time but in any
17 event no more than 5 business days after receiving
18 a request by a consumer or a person authorized by
19 the consumer to obtain such information.”.

20 (f) PRE-LOAN COUNSELING REQUIRED.—Section
21 129 of the Truth in Lending Act (15 U.S.C. 1639) is
22 amended by inserting after subsection (t) (as added by
23 subsection (e) of this section) the following new sub-
24 section:

25 “(u) PRE-LOAN COUNSELING.—

1 “(1) IN GENERAL.—A creditor may not extend
2 credit to a consumer under a high-cost mortgage
3 without first receiving certification from a counselor
4 that is approved by the Secretary of Housing and
5 Urban Development, or at the discretion of the Sec-
6 retary, a state housing finance authority, that the
7 borrower has received counseling on the advisability
8 of the loan transaction. Such counselor shall not be
9 employed by the creditor or an affiliate of the cred-
10 itor or be affiliated with the creditor.

11 “(2) DISCLOSURES REQUIRED PRIOR TO COUN-
12 SELING.—No counselor may certify that a borrower
13 has received counseling on the advisability of the
14 loan transaction unless the counselor can verify that
15 the consumer has received each statement required
16 (in connection with such loan) by section 129 of this
17 title or by the Real Estate Settlement Procedures
18 Act of 1974 with respect to the transaction.

19 “(3) REGULATIONS.—The Secretary of Housing
20 and Urban Development may prescribe such regula-
21 tions as the Secretary determines to be appropriate
22 to carry out the requirements of paragraph (1).”.

1 **SEC. 5. AMENDMENT TO PROVISION GOVERNING CORREC-**
2 **TION OF ERRORS.**

3 (a) AMENDMENT TO PROVISION GOVERNING COR-
4 RECTION OF ERRORS.—Section 130(b) of the Truth in
5 Lending Act (15 U.S.C. 1640(b)) is amended to read as
6 follows:

7 “(b) CORRECTION OF ERRORS.—A creditor has no li-
8 ability under this section or section 108 or 112 for any
9 failure to comply with any requirement imposed under this
10 chapter or chapter 5, if—

11 “(1) within 30 days of the loan closing and
12 prior to the institution of any action, the borrower
13 is notified of or discovers the violation, appropriate
14 restitution is made, and whatever adjustments are
15 necessary are made to the loan to either, at the
16 choice of the borrower—

17 “(A) make the loan satisfy the require-
18 ments of this chapter; or

19 “(B) change the terms of the loan in a
20 manner beneficial to the borrower so that the
21 loan will no longer be a high-cost mortgage; or

22 “(2) within 60 days of the lender’s discovery or
23 receipt of notification of an unintentional violation
24 or bona fide error as described in subsection (c) and
25 prior to the institution of any action, the borrower
26 is notified of the compliance failure, appropriate res-

1 titution is made, and whatever adjustments are nec-
2 essary are made to the loan to either, at the choice
3 of the borrower—

4 “(A) make the loan satisfy the require-
5 ments of this chapter or

6 “(B) change the terms of the loan in a
7 manner beneficial so that the loan will no
8 longer be a high-cost mortgage.”.

9 **SEC. 6. AMENDMENT RELATING TO RIGHT OF RESCISSION.**

10 Section 130(e) of the Truth in Lending Act (15
11 U.S.C. 1640(e)) is amended by inserting after the second
12 sentence the following new sentence: “This subsection also
13 shall not bar a person from asserting a right to rescission
14 under section 125, in an action to collect the debt or as
15 a defense to a judicial or nonjudicial foreclosure after the
16 expiration of the time periods for affirmative actions set
17 forth in this section and section 125.”.

18 **SEC. 7. AMENDMENTS TO CIVIL LIABILITY PROVISIONS.**

19 (a) INCREASE IN AMOUNT OF CIVIL MONEY PEN-
20 ALTIES FOR CERTAIN VIOLATIONS.—Section 130(a) of
21 the Truth in Lending Act (15 U.S.C. 1640(a)) is amend-
22 ed, in the matter preceding paragraph (1), by striking “an
23 amount equal to the sum” and inserting “an amount equal
24 to twice the sum”.

1 (b) STATUTE OF LIMITATIONS EXTENDED FOR SEC-
2 TION 129 VIOLATIONS.—Section 130(e) of the Truth in
3 Lending Act (15 U.S.C. 1640(e)) (as amended by section
4 6 of this Act) is amended—

5 (1) in the first sentence, by striking “Any ac-
6 tion” and inserting “Except as provided in the sub-
7 sequent sentence, any action”; and

8 (2) by inserting after the first sentence the fol-
9 lowing new sentence: “Any action under this section
10 with respect to any violation of section 129 may be
11 brought in any United States district court, or in
12 any other court of competent jurisdiction, before the
13 end of the 3-year period beginning on the date of the
14 occurrence of the violation.”.

15 **SEC. 8. PROTECTIONS FOR ALL HOME LOANS.**

16 (a) IN GENERAL.—Chapter 2 of the Truth in Lend-
17 ing Act (15 U.S.C. 1631 et seq.) is amended by inserting
18 after section 129 the following new section:

19 **“§ 129A Protections for all home loans**

20 “(a) FLIPPING.—

21 “(1) IN GENERAL.—No creditor may knowingly
22 or intentionally engage in the unfair act or practice
23 of flipping.

24 “(2) FLIPPING DEFINED.—For purposes of this
25 subsection, the term ‘flipping’ means the making of

1 a loan or extension of credit to a consumer which re-
2 finances an existing mortgage when the new loan or
3 extension of credit does not have reasonable, tan-
4 gible net benefit to the consumer considering all of
5 the circumstances, including the terms of both the
6 new and the refinanced loans or credit, the cost of
7 the new loan or credit, and the consumer's cir-
8 cumstances.

9 “(3) TANGIBLE NET BENEFIT.—The Board
10 may prescribe regulations, in the discretion of the
11 Board, defining the term ‘tangible net benefit’ for
12 purposes of this subsection.

13 “(b) SINGLE PREMIUM CREDIT INSURANCE PROHIB-
14 ITED.—No creditor may finance, directly or indirectly, in
15 connection with any consumer credit transaction that is
16 secured by the consumer’s principal dwelling, any credit
17 life, credit disability, credit unemployment or credit prop-
18 erty insurance, or any other accident, loss-of-income, life
19 or health insurance, or any payments directly or indirectly
20 for any debt cancellation or suspension agreement or con-
21 tract, except that insurance premiums or debt cancellation
22 or suspension fees calculated and paid in full on a monthly
23 basis shall not be considered financed by the creditor.”.

24 (b) CLERICAL AMENDMENT.—The table of sections
25 for chapter 2 of the Truth in Lending Act is amended

1 by inserting after the item relating to section 129 the fol-
2 lowing new item:

“129A Protections for all home loans.”.

3 **SEC. 9. REGULATIONS.**

4 (a) **IN GENERAL.**—The Board of Governors of the
5 Federal Reserve System shall publish regulations imple-
6 menting this Act and the amendments made by this Act
7 in final form before the end of the 6-month period begin-
8 ning on the date of enactment of this Act.

9 (b) **CONSUMER MORTGAGE EDUCATION.**—

10 (1) **REGULATIONS.**—The Board may prescribe
11 regulations requiring or encouraging creditors to
12 provide consumer mortgage education to prospective
13 customers or direct such customers to qualified con-
14 sumer mortgage education or counseling programs
15 in the vicinity of the residence of the consumer.

16 (2) **COORDINATION WITH STATE LAW.**—No re-
17 quirement established by the Board pursuant to
18 paragraph (1) shall be construed as affecting or su-
19 perseding any requirement under the law of any
20 State with respect to consumer mortgage counseling
21 or education.

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