

Jacksonville Housing Finance Authority
Parameters for Refinancing Predatory (Subprime) Mortgage Loans

For the purposes of Jacksonville Housing Finance Authority Mortgage Revenue Bond issues, predatory (subprime) lending includes¹:

- Loan “flipping” – frequent refinancings that result in little or no economic benefit to the borrower and are undertaken with the primary or sole objective of generating additional loan fees, prepayment penalties, and fees from the financing of credit-related products;
- Refinancings of special subsidized mortgages that result in the loss of beneficial loan terms;
- “Packing” of excessive and sometimes “hidden” fees in the amount financed;
- Using loan terms or structures – such as negative amortization – to make it more difficult or impossible for borrowers to reduce or repay their indebtedness;
- Using balloon payments to conceal the true burden of the financing and to force borrowers into costly refinancing transactions or foreclosures;
- Targeting inappropriate or excessively expensive credit products to older borrowers, to persons who are not financially sophisticated or who may be otherwise vulnerable to abusive practices, and to persons who could qualify for mainstream credit products and terms;
- Inadequate disclosure of the true costs, risks and, where necessary, appropriateness to the borrower of loan transactions;
- Prepayment penalties that are not limited to the early years of a loan;
- The offering of single premium credit life insurance; and
- The use of mandatory arbitration clauses.

Loans eligible for refinancing should include one or more of the following characteristics²:

- Loans with a fixed rate that adjust to a variable index rate at some point after execution;
- Very high or no limits on how much the payment amount or the interest rate may increase (“payment or rate caps”) on reset dates;
- Product features likely to result in frequent refinancing to maintain an affordable monthly payment; and/or
- Substantial prepayment penalties and/or prepayment penalties that extend beyond the initial fixed interest rate period.

ALL REQUESTS FOR REFINANCING TRANSACTIONS MUST BE APPROVED, IN WRITING, BY THE EXECUTIVE DIRECTOR OF THE JACKSONVILLE HOUSING FINANCE AUTHORITY

¹ OCC Advisory Letter AL 2003-2

² <http://www.fdic.gov/regulations/laws/rules/5000-5160.html>

Date _____

Jacksonville Housing Finance Authority
Attn: Wight Greger, Executive Director
214 N. Hogan Street, 8th Floor
Jacksonville, FL 32202

Dear Mrs. Greger,

Pursuant to the "Refinancing of Qualified Subprime Loans" provision contained within the Jacksonville Housing Finance Authority's Homeowner Mortgage Revenue Bond Program (GSE New Issue Bond Program), (the "2010 Program"), the undersigned submits the following refinancing transaction for review and approval:

- Borrower Name _____
- Borrower Address _____

- Old Loan Amount \$ _____
- Old Loan Interest Rate _____ %
- New Loan Amount \$ _____
- New Loan Interest Rate _____ %

This transaction qualifies under the following eligible characteristic (check all that apply):

- _____ Original transaction contains an adjustable rate provision;
- _____ Original transaction contains no payment or rate cap on reset dates;
- _____ Original transaction contains features likely to result in frequent refinancing to maintain an affordable payment; and/or
- _____ Original transaction contains substantial prepayment penalties and/or prepayment penalties that extend beyond the initial fixed interest rate period.

Attached is documentation that supports the eligible transaction provision. Lender acknowledges that all other provisions of the 2010 Program guidelines have been met.

Sincerely,

Participating Lender Name

Lender Representative Signature

Printed Name of Lender Rep

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