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HOUSE BILL NO. 1093

Offered January 9, 2008

Prefiled January 9, 2008

A BILL to amend the Code of Virginia by adding a section numbered 6.1-2.8:1, relating to requirements for certain mortgage loans.

Patron—Sickles

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 6.1-2.8:1 as follows:

§ 6.1-2.8:1. Escrow accounts required for certain mortgage loans.

A. As used in this section:

"Low-document home loan" means a mortgage loan the terms of which allow a borrower to establish his ability to repay the home loan by providing only limited verification of his income and other assets.

"Mortgage loan" means a loan made to an individual domiciled in the Commonwealth, the proceeds of which are to be used as purchase money for a single-family residential owner-occupied property located in the Commonwealth, regardless of where the loan is made, which loan is secured by a first deed of trust or mortgage on such property.

"No-document home loan" means a mortgage loan the terms of which allow a borrower to establish his ability to repay the mortgage loan without providing any verification of his income and other assets.

"Stated-document home loan" means a mortgage loan the terms of which allow a borrower to establish his ability to repay the home loan by providing only his own statement of verification of his income and other assets.

B. No lender (i) subject to the general supervision of or subject to examination by the Commissioner pursuant to Chapter 2 (§ 6.1-3 et seq.), Chapter 3.01 (§ 6.1-194.1 et seq.), Chapter 4.01 (§ 6.1-225.1 et seq.), Chapter 5 (§ 6.1-227 et seq.) or Chapter 13 (§ 6.1-381 et seq.), (ii) authorized to engage in business as a bank, savings institution, or credit union under the laws of the United States, any state or territory of the United States, or the District of Columbia, and subsidiaries and affiliates of such entities, or (iii) subject to the provisions of Chapter 16 (§ 6.1-408 et seq.), shall make a low-document loan, no-document loan, or stated-document loan to a borrower unless the lender has:

1. Obtained from the borrower detailed documentation of all sources of income claimed by the borrower in the loan application; however; if such documentation is unavailable, has corroborated the claimed income by independent verification; and

2. Determined, based on its review of the information set forth in the documentation received pursuant to subdivision 1, that a reasonable creditor would believe at the time the loan is closed that the borrower will be able to make the scheduled payments associated with the loan based on a consideration of the borrower's current and expected income, current obligations, employment status, and other financial resources other than equity in the collateral that secures repayment of the loan. There is a rebuttable presumption that the borrower will be able to make the scheduled payments to repay the obligation if, at the time the loan is consummated, the borrower's total monthly debts, including amounts owed under the loan, do not exceed 50 percent of the borrower's monthly gross income.

INTRODUCED

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