

**Department of Banking, Insurance, Securities & Health Care Administration**

**VERMONT BANKING DIVISION**

**REGULATION B-98-2:  
High Rate, High Point Notices for Residential Real Estate Loans**

**Section 1. Authority and Purpose**

This regulation is promulgated pursuant to Title 9 V.S.A. § 104, for the purposes of specifying the form, content and timing of the disclosures required by Title 9 V.S.A. § 104 (the "Disclosure"), to increase the flow of information to consumers and encourage them to take advantage of a competitive market. The Disclosure shall be required for every loan secured by a first lien on residential real estate in which the borrower is expected to be charged in excess of four points or an interest rate in excess of three percent over the rate established pursuant to Title 32 V.S.A. § 3108, or both on the loan. The rate established pursuant to Title 32 V.S.A. § 3108 shall hereinafter be referred to as the "Declared Rate."

**Section 2. Form**

The Disclosure shall be printed on a single sheet of colored paper that is easily distinguished from all other disclosures, applications or other loan documents presented to the borrower. Except as otherwise required herein, the print shall be in a size equal to at least 12 point type.

**Section 3. Content of Written Disclosure**

The Disclosure shall:

A. Contain the following notice in uppercase letters and in a size equal to at least 14 point bold type and otherwise distinguishable from all other text of the Disclosure:

**YOU MAY BE ELIGIBLE FOR A LOAN WITH EITHER  
A LOWER INTEREST RATE, FEWER POINTS, OR  
BOTH, FROM ANOTHER LENDER.**

B. Inform the borrower(s) that they are applying for a loan with an interest rate that exceeds the Declared Rate by more than 3 percent and/or for which the lender shall charge more than 4 points.

C. Include a statement informing the borrower(s) that they can obtain a list of other lenders by calling or writing to the Department of Banking,

Insurance, Securities and Health Care Administration (the "Department's"), including the Department's telephone number and mailing address.

D. Be signed and dated by the lender and all borrowers to be obligated under the note.

For purposes of this Regulation, points shall be defined as all amounts required to be listed on a HUD-1A Disclosure form lines 801 and 802, as in use on July 1, 1998.

#### **Section 4. Timing**

The Disclosure shall be presented to the borrower in conjunction with the Good Faith Estimate, as required by Regulation Z, or at any time that the lender notifies the borrower that the lender will only offer the borrower a loan with an interest rate in excess of three percent of the Declared Rate and/or for more than 4 points, regardless of whether the borrower or a third party shall pay such points.

#### **Section 5. Relief**

The commissioner of the Department (the "Commissioner") may temporarily suspend or modify the disclosure requirements of this Regulation if the Prime Rate, described in Title 32 V.S.A. ' 3108, increases by more than 3 percentage points over the Declared Rate during the calendar year or if the Commissioner deems such temporary suspension or modification to be in the best interests of the public.

#### **Section 6. Effective Date**

This Regulation is effective on January 1, 1999. Lenders shall be obligated to provide the required disclosures commencing 60 days after the effective date of this Regulation.

#### **Section 7. Severability**

If any provision of this regulation, or the application of it to any person or circumstance, is determined to be invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions of this regulation which can be given effect without the invalid provision or application, and to that end the provisions of this regulation are severable.