

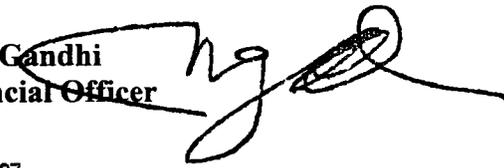
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: SEP 14 2007

SUBJECT: Fiscal Impact Statement: "Mortgage Disclosure Amendment Act of 2007"

REFERENCE: Bill Number 17-167 as Introduced

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation.

Background

Under current District law, licensed mortgage lenders and brokers are required to provide borrowers with a financing agreement that discloses major terms of the loan, such as loan amount and type, rate of interest, and all associated fees.

The proposed legislation would amend current law to require mortgage lenders in the District of Columbia to disclose additional information to borrowers with "non-conventional" loans, which are defined as any loan other than a 15- or 30-year fixed rate mortgage.

Specifically, the proposed legislation would amend D.C. Official Code § 26-1113 to require that a mortgage lender making or procuring a loan on a residence must provide to the borrower, within one business day of an application for a mortgage, the following information:¹

¹ The legislation specifies that the information may be given to the borrower electronically or physically. If the lender chooses the physical form, the information must be presented on red paper measuring 8.5 by 11 inches in a font not smaller than 15 point. In addition, the lender would be required to print the information in plain English or a language "in which the borrower better understands."

- Monthly payment required at the start of the loan, at the time principal and interest become due, and at the highest rate of interest possible under the loan terms;
- Amount held in escrow, including real property taxes for the residence, an estimate of the cost of homeowners' insurance, any homeowners' association fees;
- Existence, structure, and costs for prepayment penalties, balloon payments, or pricing premium.

The proposed legislation would also establish the right of the borrower to cancel, without the loss of security deposit, the mortgage application within 5 days of receiving the disclosure information.

Financial Plan Impact

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation.